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ABSTRACT

Financing of higher education in New York and the public policies which impinge on, influence, and are reflected in the process are explored in this preliminary probe. Chapters include: The Need for the Study (N. J. King); Implications of Tax Policy (Mark Segal); Institutional Tax Exemptions and Tax Benefits (Steven A. Cohen); State Institutional Assistance (Philip Hanfling); Conditional Institutional Funding (Philip M. Iovino); Student Assistance: The Basic Education Opportunity Grant (Alphonse Mekalainas); Student Assistance: Teacher Corps; Upward Bound; TAP; Fellowships (Donald Ferranti); Student Assistance--NDEA and Other Loans; Regents Scholarships (Carol Bernard); Planning, Cooperation, and Resource Allocation (Felix Lettieri); Regulation Compliance Costs Cooperative Savings (Eugene DeClue); Indirect Institutional Funding: The G.I. Bill (Roger R. Ehrler); Institutional Regulation Under Public Policy, with Financial Consequences: Accreditation (Richard Nelson); and Institutional Regulation Under Public Policy, with Financial Consequences: Collective Bargaining in Higher Education (Richard Nelson). Several omissions are noted in the study, namely: (1) the impact of student consumerism, (2) the role played by "auxiliary enterprises," (3) unionization, (4) direct funding, and (5) certain imputed influences, not amenable to traditional research analysis. References and bibliographies are provided for each section. (LC)

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Edited by

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PUBLIC POLICY AND THE FINANCING OF HIGHER EDUCATION IN NEW YORK

Edited by

William McKeough, Ph.D.

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PREFACE

This work represents a preliminary effort to probe an important topic: the financing of higher education in New York, and the public policies which impinge on, influence, and are reflected in that process. The overall theme is the examination of the almost bewilderingly broad range of sources of institutional income found in just one state, New York; other financial benefits are examined, such as the special tax status of colleges and their kin; finally, the negative aspects of financing are addressed. This last category is included since institutional finance must cope with attendant expenses and costs. In an obiter dictum, the Supreme Court summarized such negative financial considerations almost 40 years ago when it ruled in the Wickard v. Filburn case that "It is hardly lack of due process for the government to regulate that which it subsidizes." This laconic comment may help the student of higher education to maintain a certain perspective while examining the public policies related to higher educational finance.

This volume, a team effort, is exploratory, not definitive. Certain omissions were unavoidable, due to one or more of the following: 1. Lack of access to, or simple unavailability of needed data sources; 2. "personpower" deficits; 3. lack of skill on the mentor-editor's part in limning the areas in need of research. Among the omissions now recognized (and lamented) are:

1. the impacts of growing student consumerism, as expressed both by students and their agents or advocates (whether governmental or otherwise);

2. the financial role played by "auxiliary enterprises" in higher educational financing;

3. the correlates of faculty, staff and even student unionization (including union-related costs and union-related income through cooperative educational ventures);

4. the direct funding of higher educational institutions, their programs or students, e.g. SUNY, CUNY, parts of Cornell University, medical education, the Webb Institute of Naval architecture, maritime academies;

5. certain imputed influences, not amenable to traditional research analysis, as will be sketched below.

These omissions flaw the reach and scope of this document, but also are suggestive of topics for future research, possibly in light of the several useful findings reported by the present effort.

A case can be made for the claim that few, if any, public policies, whether legislative or regulatory, have no financial impact on higher education. For example, the federal support of basic biomedical research culminating in the development of safe and effective birth-control methods almost certainly modified college enrollments almost two decades later; the existence and form of a selective service system, as against a voluntary army, will almost surely influence college enrollments. As enrollments are modified, the need for faculty, dormitories, staff, and facilities is also modified, all with marked financial implications. Decisions by public agencies, as seemingly remote as where and when to build roads or mass transit facilities, will influence the absolute enrollment levels of some colleges, and the resident-commuter "mix" in others.

Naturally, public policies concerning such national imperatives as inflation, energy, the ecology, and health insurance can be expected to impinge in varying ways over time on the financial state of institutions of higher education.

Recently, a respected higher educational researcher, Alexander Astin, proffered a list of "failures" of educational policy[1]. These "failures" are depicted as changes and emphases fostered in higher education governmental/public policy, whether wittingly or otherwise, and whether local, regional, or national. He includes: 1. the expansion of the public sector of higher education, "with little regard for its effects on private high education." This despite greater student satisfaction at independent institutions and his other research finding that "the total benefits to a college generation have been diluted"; 2. the shift toward larger institutions, which has cost us "certain unique benefits associated with attendance at a small college"; 3. the eclipse of single-sex colleges. He has found that this includes lessened student satisfaction, a diminution of women's starting salaries, and a decline in academic involvement; 4. the "proliferation" of public community colleges, which entails a demonstrable reduction in one's likelihood of achieving the baccalaureate and in one's persistence rate; 5. Deemphasis on the residential experience, which Astin associates with a loss of such residential correlates as involvement in campus life, personality development, and likelihood of 4-year persistence; 6. reliance on loans for financial aid, which his research identifies as a "negative incentive" for remaining in college; 7. open admissions also suffers under Astin's research analysis, in that he has found that "the American educational system is not yet organized to meet the needs of the less prepared student." He finds that "it is not surprising that many differences between high and low ability freshmen - in personality, behavior, and aspirations - merely grow greater as time goes on."

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[1] "On the Failures of Educational Policy" Alexander W. Astin. Change, September, 1977, pp. 40-43.

Irrespective of one's reactions to Astin's findings (on his methodology), it is clear that public policy has had a powerful effect on the condition of higher education, and this effect is a direct function of the financing afforded such institutions and systems. Thus, the amount and form of the financial expression of policy assumes great significance.

Some perspective on the financing of higher education in New York will help the reader understand the following chapters.

The magnitude of state financing of higher education is great: in 1979-80, over $19 billion dollars was appropriated nationwide. $1.543 billion of which was New York's share. This amount was second only to California's $2.814 billion. From another vantage, $87.48 nationwide was state-allocated per capita, compared with New York's $86.96. This appropriation rate ranked 25th of the 50 states; the highest was Alaska's $179.88, while the lowest was New Hampshire's $34.22 per capita. Considering higher education appropriations as a function of 1978 total personal income, New York ranked 33rd, with $10.57 per $1,000 for this purpose. The national mean was $11.16.

Adjusted for inflation, New York's higher education appropriation represented a two-year change of +3%, and a ten-year increase of 29 percent. Comparable 50-state averages for the two periods were +8 percent and +60 percent, respectively.

Changing from a New York versus the other 49 states perspective, consider now a view within the state.

The total state higher educational appropriation for 1978-79 was $1,543,416,000. Of this, $90.220,000 was given to independent (private) institutions, a 5.85 percent share. This represents a two-year change of +1 percent in an overall budget which grew by +19 percent in the same two-year period. "Student Aid" accounted for $280,189,000 and represents a 18.2 percent share of the whole. The funding objective receiving the greatest two-year increase was the SUNY Center at Stony Brook, a 61 percent growth; the smallest two year increase was the 1 percent given to private colleges, followed by the 11 percent afforded both to SUNY New Paltz and to the State Maritime College.

These data lend themselves to simplistic analysis, but a full understanding would require knowledge of such other factors as needs, longer-range history, institutional resources, other funding sources, changing missions, and the like.

It is reasonable to conclude, however, that state appropriations for higher education are sizeable, that New York has chosen to express its public policy in this area by the appropriation of a significant sum, with the power that over a billion and a half dollars per year entails.

These comments should be viewed in the more limited perspective of state funding, since Federal funds are fully as large, and individual or corporate funding for charitable purposes is ignored. Further, the tax-exempt status of higher educational institutions is omitted, although these and others financial influences will receive closer scrutiny in the following chapters.

Finally, the worth of this document will be judged by many using both varied and valid criteria. One basis for evaluation might be the volume's success in identifying the major (and some minor) sources of funding; the success achieved in suggesting the underlying public policy or policies implicit in these funding decisions; and last, the additional questions or analyses which the reader may generate after reading this work, and which may extend and deepen our understanding of higher education as we in New York enter the troublous last fifth of the century.

Dr. William McKeough

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CHAPTER 1

THE NEED FOR THE STUDY

N. J. King, Ph.D.

INTRODUCTION

The problems in funding higher education have reached monumental proportions in the last decade. Institutions, as well as individual students, are feeling the effects of inflation combined with recession. Although the intent of the National Defense Education Act of 1958[1] and the 1972 Amendments[2] were intended to alleviate the mounting financial pressure both on non-profit educational institutions and their students, the problems of the early 70's demonstrated that the action taken was not enough to meet this pressure of increased inflation, decreases in endowment and in enrollment, and general expansion of services to students.

The current state of educational funding in New York has made policy regarding funding a matter of growing concern throughout the nation. The problems faced by the State of New York in dealing with the current financial climate provide a warning, and hopefully, a guide to other states which will be (if not already) facing similar difficulties.

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[1] National Defense Education Act of 1958 (Laws of 85th Congress, second session) Public Law 85-864; 72 Stat. 1580, H.R. 13247. An act to strengthen the national defense and to encourage and assist in the expansion and improvement of educational programs together with critical national needs; and for other purposes.

[2] Education Amendments of 1972, P.L. 92-318, 86 Stat. 235. An act to amend the Higher Education Act of 1965, the Vocational Act of 1963, the General Education Provisions Act (creating a National Foundation for post-secondary education and a National Institute of Education), the Elementary and Secondary Education Act of 1965, Public Law No. 874, and related acts, and for other purposes.

The 1980's will be a crucial period in the attempt to solve the problems of educational funding as certain additional difficulties may be anticipated.

There is no growth expected in enrollment, yet expenses will rise substantially, as has been noted above, and the pressures to cut costs will be intense.[3] As this worsening situation can be clearly anticipated almost a decade in advance, it is only reasonable that college administrations should begin to direct their thoughts to these growing problems - this, of course, after careful and thorough studies of the total educational picture.

One problem already evident is the over-abundance of doctors of philosophy in practically all disciplines. Those who are white face special difficulties in a steadily constricting job market where the few available positions are frequently being filled by minority applicants. Also feeling the pinch will be young assistant professors, as the higher ranks are already filled with tenured faculty members.[4] The most obvious solution to problems such as these are negated by financial considerations - one group adversely affected by the present problems being the qualified adult population now being lost to higher education because of the lack of available funding. More generous funding would encourage the adult population to enroll or re-enroll as students, allow the student-faculty ratio to rise to accommodate the new Ph.D.'s and provide for early retirement plans. These actions, if funds can be found for them, would alleviate some of the pressures in higher education, but further steps will be necessary to provide long-term solutions to the dilemma of providing excellence and availability in education coupled with shrinking funds. In the meantime, the available dollar could be stretched by such innovations as the hiring of part-time lecturers, wider use of the physical resources of city and state, maximum benefits of facilities by year-round use of same, and by extending the days of the academic year. But, even if suggestions such as these can be put into effect, the problems remain formidable for the next decade, due to price stability, an important consideration, of course, but one which cannot be anticipated with any degree of accuracy. It is an external force over which concerned institutions have absolutely no control.

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[3] Carnegie Commission on Higher Education, *The More Effective Use of Resources* (New York: McGraw-Hill Book Co., 1972), p. 20.

[4] *Ibid*., p. 20.

> The decline from an average annual price increase of almost 6 percent in 1970, to one of under 3.5 percent in 1972 was an important factor in helping the colleges and universities recover some stability in their financial situation.[5]

While there is no price index for an educational institution, it is evident, nonetheless, that costs rise faster than the consumer price index.

Responsible administrators have, for some time, seen the need for a study projecting future price indices and anticipated funding. The crisis point has been reached, decisions can no longer be delayed, administrators must act. It hardly need be said that studies which can provide the information on which to base decisions and action are essential.

THE SCOPE OF THE CURRENT CRISIS

Inflation in the past decade which has adversely affected the economy of the entire nation has had an even more seriously adverse effect on institutions of higher learning. While business can offset inflation by increasing prices or introduce economies to maintain a profit, a school's end product is in terms of the prestige it earns with the quality of education it produces. Even though goods and services must be bought on an open market, the institution cannot even approximate expenses, and the financial rewards for academic prestige are hardly comparable to those of many professions and businesses.

It is important to look at the projections in terms of simple costs. Expenses will rise even without inflation and qualitative improvement. Faculty salaries have been rising steadily over the past decade, in response to the state of the general economy, unionization and increasing mean age.

Advances in scientific and technological fields, the growth of nuclear science, the great strides in the medical field and computer technology have added greatly to the academic responsibility of institutions of higher learning. In fact, the National Defense Act of 1958 specifically highlights the need for developing quality students in the fields of science and medicine in order to make the best possible use of our country's resources. It strikes this writer that the word "defense" in the Education Act is most appropriate as our country's greatest defense is keeping up to and hopefully bettering the rest of the world by our expertise and excellence in the fields of science. The task of meeting the challenge lies with institutions of higher learning.

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[5] Earl F. Cheit, The New Depression in Higher Education - Two Years Later (Berkeley, Calif. Carnegie Commission on Higher Education, 1973) p. 55.

In 1970-71, New York University faced a deficit of over five million dollars and had to borrow to meet its expenses. The University partially offset its difficult financial situation by the sale of non-education business assets. The number of faculty has been frozen and the number of teaching assistants reduced. Research has been cut back, and a moderate reduction has been made in the number of administrative posts.[6] The student-faculty ratio rose in 1970-71. In 1972-73 the deficit of the University exhausted the unrestricted endowment of the institution. The resource gaps caused by inflation between 1970-1980 indicate the direction in which things are headed. Howard R. Bowen speaks of the rising costs universities and colleges are facing:

> Land costs near campuses are going up astronomically and costs of construction are rising inexorably year by year. Also the costs of purchased goods and services such as fuel, electricity, telephone services, stationery, travel, etc. have a way of creeping up even when there is no "official" inflation.[7]

In further reference to resource gaps and to future financial needs:

> A nearly $26 billion resource gap must be filled between 1970 and 1980. In 1970-71, institutions of higher education spent about $25 billion. In 1980-81, given a continuation of the trends of the 1960's in cost per student and in number of students, $51 billion will be needed even if there is no general inflation - which is highly unlikely.[8]

There are other studies which focus on the erosion of resources by inflation. In a study for the Carnegie Commission, June O'Neill showed the extent to which costs of higher education rise more rapidly than increases in the consumer price index. Her data show that for the period 1929-30 to 1959-60, costs

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[6] Ibid., p. 22.

[7] Howard R. Bowen, The Finance of Higher Education (Berkeley, Calif.: Carnegie Commission on Higher Education, 1968), p. 15.

[8] The More Effective Use of Resources, Op. Cit., p. 8.

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(per credit hour) rose 2.5 percent faster than the average increase in the consumer price index.[9]

ALLOCATION OF RESOURCES

The increased need for funds is apparent but the rate of increase in funds shows signs of dwindling. State and local governments seem unwilling, and unable as well to continue major increases in appropriations year after year. The city tax dollar is increasingly burdened by all kinds of municipal concerns of the cities. The institution cannot economize on the quality of education, tuition cannot be raised to approximate expenses, and the questions then become, a) How should students be financed? and b) How should institutions be financed? The old way of expecting the student to be solely financially responsible for his education through payment of higher tuition is not viable. Family income simply cannot keep up with the sky-rocketing costs, and students of low and middle income families may not be able to attend college, even though they may be well qualified academically. While this is an obvious loss to the individual, it may not seem so obvious a loss to society in general. But obvious or not, it is a loss to be reckoned with. Institutions are not self-serving. They serve the welfare of the general society and must not be allowed to either abridge or curtail essential services (excellence in courses, laboratories, improved and up-to-date libraries, high quality of teaching staff, lecturers, improvements and additions to plant, etc.) to the detriment of the communities in which they are located, the students, or to society in general.

The dilemma of maintaining excellence in the face of the problem of resource allocation is discussed by Stephen Hoenack and Alfred Norman:

> ...a perceived lessening of the rate of return to higher education combined with a declining college age population, has contributed to a diminished growth rate of both demand and support. These changing historical circumstances have made resource allocation a critical problem confronting university administrators, who in the 1970's face contracting budgets, and who are saddled with economic and political problem-solving mechanisms inherited from an era of nearly unlimited growth.[10]

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[9] Cheit, Op. Cit., pp. 52-53.

[10] Stephen A. Hoenack and Alfred L. Norman, "Incentive and Resource Allocation in Universities," Journal of Higher Education, Vol. XLV, No. 1 (January, 1974), p. 21.

To allocate funds with any meaning in terms of public funding, there is a need for a measurement of outputs in terms of programs and the attachments of value measures to those outputs. It would seem that public funding would be primarily concerned with value (value of program as against the cost to implement or maintain same) in regard to identification of programs.

The difficulties are legion in the whole area of funding higher education - and especially in regard to allocating funds with any real meaning, as the decision-making process is often bogged down in the complexities native to large, sprawling institutions, with each department a part of the whole and yet each existing very much apart from the whole.

On the other hand, voluntary cost savings efforts by operating units are theoretically effective, but in reality are less than favorably predictable. There must be a more responsible and responsive decision structure with power to set and control targets. However, such an approach might tend to create conflict - of department versus department, of faculty against administration. Costs will confront quality, the new will challenge the old, the welfare of the total institution will battle against the status quo of its component parts. Unionization will become more likely as faculty members face some unpleasant changes.[11]

Problems in cost allocation include decision-making of a difficult nature in regard to the maintenance and continued improvement of plant, library supplies, staff, student aid, and all the other departments and activities that go to make up an up-to-date, well equipped college or university.

It is tempting to deal with financial problems in terms of deferring maintenance costs, cutting expenditures, and decreasing student aid, but these matters have to be dealt with eventually and, in all probability, at higher costs. Such cost cutting also tends to adversely affect quality of education and programs of an institution of higher learning.

EFFORTS TO RESOLVE CURRENT FINANCIAL CRISIS

MORE EFFECTIVE USE OF AVAILABLE RESOURCES

In terms of helping themselves, one solution to the financial crisis that many colleges and universities face is the more effective use of resources. This involves "a careful analysis of the relations between the use of resources and the accomplishment of goals, the seeking of maximum economies with minimal sacrifices in quality; and the encouragement of rapid and flexible adaptation to changes in the needs for educational,

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[11] Carnegie Commission on Higher Education, Op. Cit., p. 21.

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research, and public service programs."[12] Expenses should be pruned only when such pruning does not have a negative effect on quality or scope of service. Some economies can be achieved without sacrificing quality through such measures as "changes in degree structures and elimination of overlapping and duplication of degree programs."[13]

The Carnegie Commission sees four principal sources of savings for institutions of higher education. It calls first for "a reduction in the number of students by accelerating programs and reducing the number of reluctant attenders."[14] The Commission believes that the acceleration of programs will reduce operating costs by at least ten percent, and capital costs by one-third. The abolition of the draft and the fact that students are becoming more independent in their actions seem to have taken some of the pressure off college attendance. Counseling, limiting the number of years permitted as a graduate student, a national service program, and full employment would help in reducing the reluctant attenders.[15]

As a second source of savings, the Commission recommends that institutions make more effective use of "halting the creating of new Ph.D. programs except under very special circumstances, and concentrating Ph.D. training and federally supported research in fewer institutions; by achieving minimum effective size for campuses and for operation so that more students can move through the same capital facilities; by cautiously raising the student-faculty ratio; by re-examining the faculty teaching load; by improving management by better selection and training of middle management; by giving more expert assistance to the college president; by creating more alternatives off campus through 'open' universities, credit by examination, and by establishing consortia among institutions and merging some."[16]

The acceptance of "windfall" changes that result from the logic of the situation is the Commission's third source of savings. Faculty salaries will probably increase less rapidly than wages and salaries generally in the future, rather than more rapidly as in the 1960's. This could result in savings each year of 0.25 to 0.5 percent on total costs as compared with the

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[12] Ibid., p. viii.

[13] Ibid., p. viii.

[14] Ibid., p. 17.

[15] Ibid., p. 17.

[16] Ibid.

1960's. Enrollments will continue to shift in the direction of two-year colleges with some cost savings.[17]

The final source of savings would be external to higher education in terms of the Commission's recommendations that the high schools absorb work now given in the first year of college and provide better counseling. This would, of course, aid in the gradual shift to the student staying in college for a shorter period of time.[18]

Beyond the savings brought about as a result of accelerated programs and reductions in the cost per student year, each institution of higher education should be able to loosen up from one to three percent of old funds each year to be used for self-renewal purposes - reforms and new programs. Great emphasis should be placed on the reassignment of existing funds to new uses.

Improved Budgetary Procedures

The financial problems of higher education have done more than stimulate cost-consciousness. They have led to significant new policies and practices on the campuses. They have furnished the impetus for producing a major management movement complete with new techniques. They have been the stimulus for policy reviews by organizations like the Committee for Economic Development; and produced influential state studies in New York and elsewhere.

Beginning with increased administrative and faculty awareness of the cost-income squeeze, there developed new management practices and organizational relationships. As a result of increased awareness and changes in attitudes within the academic community, there is acceptance of the idea of the managed university or college.

> Colleges and universities have been decentralized, largely autonomous, relying on shared values and assumptions for their coherence and their ability to operate, and relying on individuals' academic entrepreneurship for innovation and development. The institutions made little effort to study themselves, and their members felt very little need to be managed.[19]

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[17] Ibid., p. 18.

[18] Ibid., p. 19.

[19] Cheit, op. cit., p. 64.

The move toward becoming a managed university or college, centers around the development of an overall strategy. The aim is an integrated planning process, one which is not overtaken by events but has the ability to respond to the times. While institutions have always paid attention to the task of raising income, the managed institution makes expenditure reduction an equal, or perhaps for a time, a first principle. Historically, the college president saw his job as maximizing inputs rather than minimizing outputs. Now the reduction of expenditure growth is as central, or more central, to administrative outlook than increasing income. In the managed institution there is a changed role for the administration. From his former role in making arrangements after decisions had been made, the administrator is becoming the key element in deciding whether, when, and on what terms change is possible.[20]

In the various departments of institutions of higher education, planning was often remote from the areas of decision-making and budgeting. But no longer. Cheit sees a new system evolving with more emphasis on the centralization of authority, improved management, planning, and improved budgetary procedures. This new system would be characterized by a financial and internal stimulus for change rather than the type of external stimulus seen since World War II in response to the increased demand for higher education, the request for research for defense needs, and the plea for social purpose.[21]

The movement toward interdependent decisions in response to internal financial pressure would be a second feature of the evolving system.[22] There would be no independent decisions; priorities would be relative, and scarcity would put a premium on avoiding mistakes.

"Change would be by substitution or even contraction, but not by growth."[23] A steady-state condition and continuing financial stress put great emphasis on choice from among alternatives. In the changing climate of the institution, the administrator, after gathering and analyzing information that will indicate to him the choices that must be made, will decide if and when a change is to occur.

The new system's fourth characteristic is that "change by substitution or by contraction must be based on systems to be credible."[24] In order to establish informed, credible decisions about priorities, it is necessary to gather data on what is done, how much it costs, and what the various benefits are. This speaks to the need for fact-finding, analytical systems - informational, budgetary and decision-making. Administration cannot - or should not - act arbitrarily or with rigidity.

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[20] Ibid., p. 67.

[21] Ibid., p. 72.

[22] Ibid., p. 73.

[23] Ibid., p. 73.

The final characteristic of the new system is that "criteria for judgment under planned change are measurable and institutionalized."[25] Systems-guided decisions ideally require measuring the desired result. When resources are scarce, the planning and decision process must include a statement of the results desired. There will be an increasing effort to measure the outputs, or outcomes of higher education.

While helping the colleges and universities to face their financial crises, the new system does have implications for quality and purpose. The assumed importance of small classes to superior instruction, and the low student-faculty ratio are giving way to increases in both. In spite of the view that the richer the mixture of offerings the better, courses, programs, and even parts of campuses are being dropped. As an example, New York University sold its Heights Campus. Academic judgment about the best campus mix is beginning to give way to market judgments. The assumption that the campus is an essential part of the learning environment is now challenged by the off-campus models, which are claimed to be as good, and cheaper. These changes in the traditional concept of colleges and universities are evidences of the fact that the validity of higher education as we have known it is being questioned by many. Another trend is the experimentation in modifying the tenure system. Cheit feels that although the evolving system does have the potential for negatively affecting their quality and purpose, nevertheless, colleges and universities can withstand the changes without suffering adverse effects.

The budget-making process, as always, is an all-important component of the institution, and in this regard the Carnegie Commission has suggested that:

> The budget assign total costs to each endeavor; that it consolidate consideration of capital and operating budgets so that the impact of each on the other can better be seen and trade-offs can be made; and that it concentrate more on outputs and less

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[24] Ibid., p. 73.

[25] Ibid., p. 74.

> exclusively on inputs, and particularly more on value added.[26]

Like Cheit, the Commission recommends obtaining complete and specific data and making it more widely available within the academic community, so that the direction the institution is taking in its trend toward the new system will be understood by all. It further recommends:

> New projects should be on a trial basis; faculty members with tenure should be a reasonable proportion of the total instructional staff; early retirement on a part-time or full-time basis should be possible; and young faculty members should be hired with regard to their adaptability to future assignments.[27]

In implementing new budgetary procedures and other necessary changes in moving toward a more managed institution, it is desirable to gain participation from the campus community - staff, faculty, students - so that its members are informed about decisions that will affect them, will know the seriousness of the need, and can develop the leadership orientation needed. "In the original New Depression study, most college and university officials believed that their view of the financial troubles was not generally shared by others off campus or on."[28] A lack of shared perception is a problem, as it is difficult - if not impossible - to make hard planning and operating decisions in response to financial problems when conditions are generally not perceived as serious. Since much academic planning is done several years in advance, a lack of a shared sense of economic stress can be especially troublesome. Plans continue and obligated funds are spent; planned buildings are built, even though costs of their operation may present a future financial problem.

FEDERAL INTERVENTIONS AND THEIR RAMIFICATIONS

Howard Bowen pointed out in 1968 that the American Council on Education recommended that the federal government supply the bulk of capital funds, increase categorical aid for research, and provide broad, unrestricted support of institutional operations.[29] Bowen felt that the federal government should not attempt to replace present sources of income for the institution or relieve the state or donors or students or their parents from present burdens. "The federal program should be designed to share in future increases in costs, to help relieve additional burdens."[30] The federal government should be a partner in meeting future increases in educational costs of colleges and universities. Bowen saw the greatest need of the institutions to be unrestricted money with which to work out their destinies, not more restrictive categorical and matching provisions. He suggests a comprehensive system of federal grants and loans to students and of unrestricted grants to the institutions.[31] Such a system would open up opportunities to all young people and slow down the rate of advance in tuition.[32]

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[26] Carnegie Commission, op. cit., p. 23.

[27] Ibid., p. 24.

[28] Cheit, op. cit., p. 60.

Cheit reported that as Congress worked to develop a new public policy toward higher education, the college presidents' perspective of the financial situation did not remain the guiding viewpoint. "Their institutional view was paired with a second perspective of the financial problem - that of the low-income student."[33] Two approaches - institutional aid and student aid - became the focal points in the legislative considerations. One approach sought to provide financial assistance directly to institutions and to deal separately with student aid. The other approach sought to provide aid to low-income students and grants to those institutions enrolling low-income students.[34] The result was a highly complicated compromise that came closer to the student-aid approach.

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29 Bowen, op. cit., p. 17.

30 Ibid., p. 18.

31 Ibid., p. 26.

32 The question may well be posed, "Would such a comprehensive system not cause an increase in taxes?" Of course it would seem so; however, we have been hearing through the media the growing sentiment from Washington that tax rebates be given to families of low and middle incomes to alleviate the burden on them of paying for their children's higher education. It is this writer's opinion that this is an indication of the general trend toward the ideal that no qualified student be denied the right and privilege of higher education - a trend of immeasurable benefit, not only to the individual student but to our society as a whole. In developing our country's greatest resource - the minds, talents and creativity of her people - the investment could be well warranted by the foreseeable gains to our nation from such a system.

33 Cheit, op. cit., p. 5.

34 Ibid., p. 5.

The 1972 amendments provided "basic opportunity grants" to needy students, with additional cost-of-education allowances to institutions payable only when student grants under the 1972 and earlier acts have been funded at specific levels.[35] The federal response to the financial problems of higher education confirmed that for institutions of higher education to obtain substantial federal help, it is not enough just to be in need.

The New Depression in Higher Education (1970) concluded that substantial new investment in higher education would require, in addition to need, that three conditions be met:

1) that the college and university campuses reveal themselves as being reasonably governable;

2) that the colleges and universities demonstrate that they are reasonably efficient in their internal operations; and

3) that there be evidence that the activities of colleges and universities have a unifying set of purposes - purposes that the public can understand and support.[36]

From this view, institutions would seem to be required to implement certain changes that their financial circumstances were also dictating.

There are always questions raised by the public in regard to institutions soliciting gifts, grants or funding and feelings that the expensive and hard-to-understand enterprises of these institutions are not as cost-effective as they should be, along with some dissatisfaction as to the goals and values shown. This public concern and the consequent changes in public policy and support of higher education may have been related to the war in Vietnam, the growing fiscal difficulties of the states, public resentment over student unrest and behavior in the 1960's, and the recession that began at the end of 1969. The government has also become greatly concerned about other major problems - the environment, energy problems, and the problems of the major cities, including New York City.

Securing money through gifts, grants and fund raising activities is the same for colleges and universities as for a hospital, for example. The job of the institution is to "sell" itself to the public sector, making itself and its strengths known, putting its case before the public in such a way that the institution is seen to be a viable, worthwhile addition to the community, performing with excellence and efficiency. As (2) and (3) above suggest, this kind of excellence can be reached only through the total participation of everyone involved - administrators, staff, teaching staff, board of directors or trustees, alumni, and the students themselves.

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[35] _Ibid_., p. 5.

[36] _Ibid_., p. 6.

If one accepts the hypothesis that not just institutional financial need but also effective satisfaction of these conditions is prerequisite to substantial new investment in higher education, then it is not surprising that Congress would postpone appropriations and rely instead on an essential procedural response to the new depression.[37]

Three procedural elements in the Higher Education Amendments are noteworthy. These are:

> (1) the provision for State Commissions for the purposes of planning for postsecondary and occupational education in the state; (2) a major national study to determine the need, the desirability, the form, and the level of additional governmental and private assistance. The National Commission on the Financing of Postsecondary Education (created by this Act) was asked to provide national uniform standard procedures for determining the annual per-student costs of providing postsecondary education for students attending various types of educational institutions; and (3) a strong Federal disposition to encourage market forces to operate; funds would be given not to institutions, but to students, and the market process will begin to define the values of education.[38]

Together these procedural elements suggest that the delay in making the 1972 higher education legislation effective in its substantive parts is not just a case of uncertainty about what to do in response to the needs of higher education. What has been set in motion is an effort to redefine these needs through the planning required at the state level, the work of the study commission, the development of uniform standards for cost data, and eventually through the "market power" of student choice.

Since there is little expectation that the percentage of the federal budget going toward higher education will begin to match that of the 1960's during the 1980's, state policy actions seem to have considerable bearing on the stability of the institutions for the short term. State aid could take the form of increased assistance to students as well as to institutions. However, the proportion of state budgets going to higher education has stopped growing, and in two-thirds of the state the proportion of the budget going to higher education is actually declining. Thus the prospects of a dramatic change in state support seem unlikely.

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[37] *Ibid.*, p. 6.

[38] *Ibid.*, p. 7.

CHANGES IN VOLUNTARY SUPPORT

According to estimates by the Council for Financial Aid to Education, the dollar amount of voluntary support to colleges and universities rose each year in the 1960's until 1969-70, when it dropped by an estimated $40 million.[39] Much of this drop was due to the sharp decline in corporate support of higher education - from a high of $375 million in 1969 to an estimated $340 million in 1970. This drop is ascribed to the drop in corporate earnings reported in that year. In addition, public policy may have had an adverse effect on voluntary support via the tax reforms of the 60's and the uncertainties created about the tax consequences of transactions involving deferred giving (life income trusts, annuities, etc.). It is significant that this form of voluntary support began to decline in 1967-68.

There has been an upturn in private contributions to colleges and universities. The overall trend upward in voluntary support was reestablished in 1970-71 and provides one encouraging source of assistance for financially troubled institutions. The Council for Financial Aid to Education estimated that total voluntary support has risen to the new high of $1,860 billion, an increase of 4.5 percent over the previous year's figure, and some $60 million above the previous 1968-69 high. Although there are indications that aid to education by business is once again expanding, much needs to be done in gaining financial support to make up for lost ground.

THE HISTORY OF A GROWING CRISIS

During the years subsequent to World War II, higher education in the United States experienced extraordinary growth.[40] It is now serving more than seven million more students, and many of these are low-income and minority-group students. Expenditures rose to accommodate the ever-increasing number of students. More students required remedial work and more student aid from institutional, as well as external, funds. New programs were added (in ethnic studies, for example) which required funding. The number of graduate and advanced professional students also rose.

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[39] Ibid., p. 56.

Although increased enrollment caused an understandable increase in institutional expenses, those same institutions are dependent on constant or slightly increasing enrollments for their financial stability. Since the boom in enrollment nationally and there is no indication of a significant increase during the 1980's.[41]

FINANCIAL CONSEQUENCES OF REGULATORY POLICY

The conflict between university and college policy and the reality of major policy decisions is dictated by political and economic concensus rather than educational concerns. Such growth as there has been in the last three decades has occurred mostly in the public sector. This growth has materialized without much regard for its effects on higher education in general and private higher education in particular. Private institutions that have found it more and more difficult to attract students, as the financial problems have been compounded, are attracting less able students and are being forced to consider more permissive policies regarding admissions. Some private colleges have actually closed, unable to compete with public institutions in the field of public funding. While it is clear that the greatest change in almost all areas of student growth occurs in the private institution, the greater expansion is the public institution. The public institution can offer a greater variety of courses, but students seem less satisfied with the quality of instruction and opportunity for personal development.

The current regulation of public funding has given rise to a large number of public community colleges. These institutions serve a variety of people - adults, part-time students, students pursuing technical courses and students just out of high school.

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[40] One obvious reason for this increase would seem to be ex-service men and women entering the field of higher education under the G.I. Bill. A second reason would seem to be the rising social-consciousness, which opened doors to low-income and minority students who had by custom been denied the privilege of higher education.

[41] Cheit, op. cit., p. 57.

And though these colleges meet real community needs, they do not necessarily meet the needs of the traditional undergraduate. The students who begin their work in a community college are less likely to receive the baccalaureate degree than are the students who matriculate to an accredited four-year college from the outset.

The reasons for such a choice are obvious. That the student does not have to make appreciable changes in life style, either socially or economically, makes the choice of the community college attractive. However, the very things that make it attractive set the pattern for failure. The lack of residential facilities, limited involvement in campus life and the problems related to transferring after two years contribute to a high rate of attrition.

Today the preponderance of educational policy ignores educational research as regards desirable end results and is geared to economic expediency. Public institutions are still expanding because they are cheaper to attend. Private education is suffering due to this economic dilemma. The human statistics must be taken into account; resource allocation must take into account the achievement of desired educational ends.[42]

INCREASING NEED FOR FEDERAL FUNDING

Inflation, which has increased approximately five percent annually since 1969, is expected to increase about five percent for the foreseeable future. Salaries of college teaching staffs must take this into account if not reflect it dollar-for-dollar. Most goods and services meet dollar-for-dollar the cost of inflation and building is more than the average five percent. The various ways to maximize the use of the higher education dollar while using the greatest intelligence to maintain quality in education will still see colleges and universities needing additional funds. It is, of course, increasingly apparent that a greater portion of these monies must come from the public sector for both public and private institutions.

Opportunities must open up that will afford reasonable equity in finance and that will safeguard the legitimate interests of both private and public institutions. Northwestern University announced on March 2, 1978 their tuition, room and board rate increases for the 1978-79 academic year, raising tuition above $5,000. Robert H. Stroty, President of the University, announced that a $405 tuition increase will go into effect in the undergraduate, graduate and professional schools.

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[42] A. W. Astin, Preventing Students From Dropping Out (San Francisco: Jossey-Bass, 1975).

"Northwestern regrets the increase, which is required to meet current inflationary conditions in the nation," Stroty said.[43] Northwestern is increasing financial aid to ensure that no currently enrolled student is forced to drop out. One can see what this trend means to potential students, and Northwestern is not alone in having these problems; although it is making more unpopular aggressive decisions regarding students' tuition.

Public education in the State of Illinois has had to raise tuition, if more moderately. The staff of the Illinois Board of Higher Education with an operating budget of $957.4 million has proposed a $48.00 a year tuition raise for undergraduates at the University of Illinois. This is a serious squeeze on middle income families. Brandeis University in Massachusetts is using a gift of $100,000 a year to grant scholarships to students whose families earn from $20,000 to $50,000 a year. Brandeis is basing its scholarship policy on available income. It notes that after federal, state, local and property taxes, housing, and other costs, a $30,000-a-year income may leave about $12,000 available for living. Brandeis costs about $7,000 - or more than 50 percent of such a family's available income.[44]

To achieve desirable freedom, independence, and diversity, institutions should have access to a variety of sources. Most observers of higher education agree that philanthropy, state and local appropriations, and student fees will not be able to carry the load, and that federal support, already substantial, must carry an increasing share of the load.[45] What seemed to be temporary pressures after World War II, with support for the G.I.'s expansion of scientific research and instruction after Sputnik, construction of facilities for the greatly increased enrollment in the 1960's, have remained as permanent pressures.

The recommendations in a report of the American Council on Education, 1967, proposed substantial increases in assistance to institutions of higher education. It recommended that the federal government supply the bulk of capital funds, generally and for research, and provide broad, unrestricted support of institutional operations.[46] Specifically, the report recommended: 1) that construction grants under Titles I and II of the Higher Education Facilities Act of 1963 be increased from 33 and 40 percent of cost to a maximum of 75 percent of cost; 2) that the requirement of enrollment expansion in connection with these grants be relaxed; 3) that loan funds for student housing and other self-liquidating projects be increased; 4) that appropriations for the NDEA fellowship program be expanded; 5) that a new federal fellowship program for sub-doctoral graduate programs, e.g., training community college teachers, be instituted; 6) that more institutions for the training and updating of college teachers be provided; 7) that federal support for research and service programs include a higher share of the cost or reduce matching requirements, thus reducing the drain on the funds of participating institutions; 8) that increased funds be made available for capital and for continued operation of the many health programs sponsored by the federal government; 9) that greater support be available for institutionally determined research, in addition to that provided for federally sponsored projects; and 10) that "the next major step forward in the federal effort to strengthen higher education be in the support of institutions as institutions" to strengthen the institutions and to avoid increases in student fees.[47]

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[43] *Chicago Sun Times* (March 3, 1978).

[44] *Chicago Sun Times* (January 5, 1978).

[45] Bowen, *op. cit.*, pp. 16-17.

[46] *Ibid.*, p. 17.

The rationale for increased federal funding in higher education would include that additional operating funds, beyond the capacity of state and private sources to provide, are essential to improve and/or maintain quality of instruction; without federal funding for some part of operating expenses, colleges and universities will be forced to increase further their tuition fees, and thus increase the already heavy burden on students and parents; higher education is a national asset and therefore a national responsibility; (or, to put it conversely, higher education is the developer and refiner of our greatest national asset and therefore is not only a national responsibility but a definite national need).

Certain levels and types of educational programs (e.g. health sciences and research doctoral programs) are essentially national in character and thus justify some federal support for instructional costs; federal funds are required to encourage educational innovation designed to improve instructional programs generally, and specifically to meet the needs of higher education's new students (low-income and minority students); and federal funds are necessary if private colleges and universities are to be preserved as an important component of our higher education system.[48]

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[47] Ibid., p. 17.

[48] The Carnegie Commission on Higher Education, Institutional and Federal Support to Colleges and Universities (New York: Mc Graw-Hill Book Company, 1972).

DEFINITIONS

STUDENT COSTS

In considering the financial aspect of higher education, one must also consider the subject in regard to students and their costs. Student costs may be defined in two ways: as the "cash outlays needed for college attendance and as the economic cost of college attendance."[49] The cash outlays needed for college attendance include (but are not limited to) tuition and fees. The student must also make outlays for room and board, supplies, books, transportation, clothing, personal care, and other incidental expenses. Immediate cash is needed for these expenses. The economic cost reflects the true cost to the student (or to society) of his attending college. It includes the expenses incident to education, such as books, supplies, transportation, etc. It also includes any expense for board and room, clothing, and other living costs over and above what would have been required had he/she not attended college. Finally, and most important, it includes the loss of earnings to the student because of having chosen not to be in the labor force.

When one ordinarily discusses the financing of students, one refers to the annual cash outlay needed - the money that must be raised at the time to get the student to college and keep him there. Economic cost is usually ignored or it is passed off by simply assuming that, of course, the student should bear the entire cost of his foregone earnings plus some portion of the institutional cost. It is simply not true that students do not bear a significant share of the cost. Those who advocate increased tuitions to be financed by loans, on the ground that more of the cost should be shifted to the student as the chief beneficiary of higher education, usually overlook the major contribution that the student already makes to his own education. The fact that the chief cost of higher education consists of the time of student involvement, suggests that in the conduct of colleges and universities, an important place to economize is on the "time of students" rather than on the outlays of institutions. Yet, higher education is sometimes conducted as though the years spent by students were free. Institutional efforts should be adequate in quality and effectiveness to justify the student time involved.

Once it is assumed that each student must himself bear the cost of foregone income, the essential financial problem is to find ways of securing funds for the needed cash outlays. There seem to be five major sources: parents, spouses, student part-time earnings, grants, and loans.

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[49] Bowen, op. cit., p. 5.

Parents are a major, and on the whole willing, source of support for students. However, inflation and increasing general living expenses are rapidly eroding the amount that parents will have available to contribute toward a child's college education.

The earnings of working wives are supporting wholly or in part thousands of male students and some female students are being supported by employed husbands. This frequently-used system works, but has grave disadvantages. It tends to shut off educational opportunity for young women. In addition, support by working is sometimes unreliable - for instance, due to the arrival of babies - and it sometimes works hardship on young children whose mothers must be away from home. Summer and part-time earnings are a third source of cash outlays for students. However, it is often poor economy to load so much work on students that they cannot do justice to their studies and to the community life of their universities or that they must unnecessarily prolong their time in the university.

A system of grants and/or loans seems to be needed to fill the gap between what parents can afford and what students can earn. Bowen proposed a national system of educational grants that would be available to any student showing need for the purpose of providing a financial base - that is, any student, regardless of circumstances, to attend college, as long as his abilities permit, without his ending up heavily in debt.[50] Under such a system, there would be no scholastic requirement except that the student be enrolled full-time in an approved college or university of his choice at any level from the freshman year to the end of graduate or professional study. The amount of the individual grant would be set according to need as measured by the cost of a minimal educational program and the ability of the parents to contribute and of the student to earn. Such grants would be financed by the federal government, but would be administered by the colleges and universities.

Bowen also proposed that the above-mentioned minimal grant system be supplemented and reinforced by a national system of student loans to provide flexibility to meet individual needs and preferences, and to enlarge opportunity.[51] This loan system would carry with it no means test, and hence would be available to persons of all income classes. Loans could be used to finance the extras not available to low-income students from the grants and not available to middle-income students from current family income.

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[50] Ibid., p. 9.

[51] Ibid., p. 10.

PUBLIC FUNDING

The federal government seemed to have recognized the societal importance of higher education by its early provisions for land-grant colleges. Its increasing recognition of the costs of higher education might be traced to its enactment of the G.I. Bill of Rights (which included educational benefits) following World War II. The National Defense Education Act of 1958 increased the government's role and responsibility in higher education substantially and greatly expanded the opportunity for all qualified aspirants to receive a college education.

To give an example of the spirit of the National Defense Education Act of 1958 (cited on page 1 of this introduction), which is understandably a very lengthy document, the following are some excerpts:

> Title I - General Provisions, Findings and Declaration of Policy. (101)... security of Nation requires the fullest development of mental resources, and technical skills of its young men and women...
>
> ...no student of ability will be denied an opportunity for higher education because of financial need...correct as soon as possible the existing imbalances in our education programs which have led to an insufficient proportion of our population educated in science, mathematics and modern foreign languages and trained in technology.
>
> ...the Congress reaffirms the bill and declares that the states and local communities have and must retain control over and primary responsibility for public education. The national interest requires, however, that the Federal Government give assistance to education for programs which are important to our defense...It is therefore the purpose of this Act to provide assistance in various forms to insure trained manpower of sufficient quality and quantity to meet the national defense needs of the United States. (102) Nothing contained in this Act shall be construed to authorize any department, agency, officer, or employee of the U. S. to exercise any direction, supervision, or control over the curriculum, programs of instruction,

administration, or personnel of any educational institution or school system.

Title II - Loans to Students in Institutions of Higher Education. Sec. 201. For the purpose of enabling the Commissioner to stimulate and assist in the establishment at institutions of higher learning of funds for the making of low-interest loans to students in need thereof to pursue their courses of study in such institutions, there are hereby authorized to be appropriated $47,500,000 for the fiscal year ending June 30, 1959, 75M - 1960 - $82,500,000 - 1961 - 90M - 1962 and such sums for the fiscal year ending June 30, 1963 and each of the three succeeding fiscal years as may be necessary to enable students who have received a loan for any school year ending prior to July 1, 1962 to continue or complete their education. Sums appropriated under this Section for any fiscal year shall be available, in accordance with agreements between the Commissioner and institutions which, together with contributions from the institutions, shall be used for establishment and maintenance of student loan funds.

Sec. 202. Allotments to States. From the sums appropriated pursuant to Section 201 for any fiscal year ending prior to July 1, 1962, the Commissioner shall allot to each State an amount which bears the same ratio to the amount so appropriated as the number of persons enrolled on a full-time basis in institutions of higher education in such State bears to the total number of persons enrolled on a full-time basis in institutions in all of the states.
Sec. 203...In no case may the total of such federal capital contribution to any institution of higher education for any fiscal year exceed $250,000.[52]

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[52] National Defense Education Act of 1958 (as cited in footnote 1).

SIGNIFICANCE OF LOW-INCOME STUDENTS AND NEED FOR HIGHER EDUCATION BY ALL QUALIFIED STUDENTS

Chiet defined the United States' national policy on higher education as being that:

> 1) The United States should maintain an excellent system of higher education, affording rich opportunities for the personal and vocational development of its young people, and giving high priority to the advancement and dissemination of learning; 2) that this system should be diversified as to programs to meet the needs of various categories of students and various regions; 3) that higher education in the United States should be open to all, that no person should be deprived by financial barriers or be barriers of race, national origin, religion, place of residence, or background of the opportunity for whatever higher education is within his capacity; and 4) that students should have free choice of educational programs and institutions, within the limits of their qualifications, and that certain programs or certain institutions - whether private or public - should not be set apart for particular socio-economic classes.[53]

When one takes on a historical perspective, one realizes that the national policy was idealistic when one considers the low-income and minority student. Fortunately, the federal government began to recognize that such students often faced overwhelming obstacles on the road toward obtaining a college education. The government has addressed itself to the barriers to opportunity and during the 1960's with the passage of Civil Rights legislation and the formulation of such student-aid programs as the Educational Opportunity Grant (now the Basic Educational Opportunity Grant) stemming from the 1965 Higher Education Act. Although the low-income student's opportunities for a college education have expanded through revisions of the National Defense Education Act (now National Direct Student Loan Program), work-study programs, and the BEOG, he/she must also face today's increased educational costs.

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[53] Cheit, op. cit., p. 2.

The traditional attitude in favor of low tuition stems from the principle that higher education should be readily accessible to all young people. It was believed that low tuition would open up college opportunity to students of limited means and would also encourage college attendance by all young people, including those from the upper-income classes. In the face of the financial crisis that many colleges and universities are experiencing, some have found it necessary to raise tuition. Some argue that higher tuitions could tap the resources of affluent parents, and (by means of loans) tap the future resources of students from low-income families. "Tuitions tend to be uneven and regressive in their application to different students as they are not adjusted to the circumstances of the payor."[54] There is no difference, for example, in the amount levied on the poor, self-supporting student and on the affluent parent. The system of financial aid to low-income students helps to ameliorate the inequities in tuitions, but does not totally remove them. Even with grants, low-income students are still far from affluent. They would seem to need some guarantee of continued aid.

Increasing tuition and cut-backs in some college and university student-aid programs and student services would tend to have a devastating effect on the low-income student's chances of completing his college education. More federal assistance to institutions of higher education and to students, seems to be indicated.

NEED FOR MAINTAINING QUALITY OF EDUCATION

There has been some concern that the cost-cutting measures colleges and universities might take toward survival during the financial crisis of the 1970's will affect the quality of education. One ponders the longer-term ramifications, a higher student-faculty ratio, cut-backs in departmental functions, and the dissolution of entire programs, the accelerated degree programs, the lessened opportunity for diversity and experimentation, and the limited capacity for growth.

Cheit stated that the conversion of questions of money to questions of purpose represents some challenging of the existing ideas about education. He felt that along with the expenditure cuts, these challenges would, in time, produce convincing evidence that the campuses are reasonably efficient in their internal operations and that the whole process might be a healthy one. As noted earlier, evidence of efficiency seems to be a condition conducive to increased public contribution to the income of higher education. In his follow-up study of 41 institutions, Chiet found that the college administrators did not seem to feel that the quality of their institutions has declined to any appreciable degree, despite the kinds of modifications that have been necessitated by the income squeeze.[55] Such assessments are only preliminary and one would need a later in-depth evaluation of the impact of the financial crisis and the resulting modifications on the quality of education.

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[54] Bowen, *op. cit.*, p. 27.

Bowen felt that there are several powerful forces at work to insure the present quality of and the future improvement of the country's educational system. These included the following:

> (1) integrity of most institutions and their strong desire for a favorable reputation motivate them to strive for great excellence; (2) the strengthening of finances via federal assistance would result on the whole in improved, not reduced, quality; (3) the well-developed system of voluntary accreditation and of innumerable site visits in connection with categorical grants is a significant pressure toward quality; (4) a system of institutional grants would provide only federal sharing of increased expenditure, and would leave plenty of incentive for institutions to raise funds from states, foundations, private donors, categorical federal grants, and the like to be used for institutional advancement.[56]

As a summing-up of this introduction, it would seem apparent that at this critical economic period - with the general trend of cutting back by government and rising costs in the market place, the threat of inflation, the financial problems that plague institutions of higher education - our top priority in this country would be to see that all qualified applicants be able to enter a college or university, with the student's lack of money not being the criterion that prevents him from this.

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[55] Cheit, op. cit., p. 76.

[56] Bowen, op. cit., p. 31-32.

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CHAPTER 2

IMPLICATIONS OF TAX POLICY

Mark Segal

INTRODUCTION

Private philanthropy has long played a large part in support of higher education. Harvard College, the oldest in the United States, was established in 1636 with a grant of £500 from the General Court and a gift of £779, together with a library from the Reverend John Harvard.[1] Philanthropy still plays a large part in the support of higher education. In the year 1976-1977, total philanthropic support of higher education reached 2.67 billion, which was 5.7 percent of the total capital and current expenditures of colleges and universities.[2] Voluntary support as a percentage of total institutional expenditures has declined from 8.47 percent in 1965-66 to 5.7 percent in 1976-77.[3] This was due to the fact that total expenditures of colleges and universities rose from 6.2 billion in 1958-59 to 45.5 billion in 1976-77. Most of the increase was due to increased enrollment. An unforseen double digit inflation rate prevented the institutional expenditures from levelling off in 1969-70, when the growth rate of enrollment moderated. Since 1970-71, total expenditures rose 67.9 percent, while voluntary support rose only 43.5 percent.[4]

There are several distinct groups contributing to the support of higher education. The Council for Financial Aid to Education conducts surveys on the annual support of education each year. The groups of supporters are broken down into six categories. They are: (1) business corporations, (2) alumni,

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[1] F. Emerson Andrews, Philanthropic Giving, p. 189.

[2] Corporate Support of Higher Education 1976, p. 5.

[3] Ibid.

[4] Ibid.

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(3) non-alumni, (4) general welfare foundations, (5) religious denominations, and (6) other.[5]

Business corporations contributed 450 million to institutions of higher education during 1976-77 which was 18.7 percent over the 379 million contributed during the previous year. The amount in 1976-77 constituted 16.7 percent of total voluntary support of higher education as a percentage of total corporate contributions was 32.73 percent in the latest year compared to 33.25 percent in the previous year.[6]

It is a common belief that corporations contribute in order to receive tax benefits, but such is not the case. The Conference Board conducted a survey in 1975 on corporate public service activities. The results from the survey shed some light on why corporations give to and to whom. The results of the survey were based on responses received from 457 major corporations. Questionnaires were returned by 417 chairmen or presidents and 445 other management personnel. The survey was concerned not only with corporations that qualify as tax deductions, but also with other public service activities such as business expenses that benefit philanthropic activities. Donated time of employees, the use of corporate facilities, and loans at less than market rates are examples of such activities.

One of the questions asked was "Organizations considered most important." Three hundred and thirty-four chairmen and presidents responded. Forty-eight percent stated "universities and colleges," while 71 percent responded "education in general," which includes educational groups, secondary, and primary schools. All responses in the survey were non-exclusive due to multiple responses.

The most important question concerned "Reasons for undertaking contribution activities." Four hundred and seventeen chairmen and presidents responded. The results pertaining to higher education were as follows:

Corporate citizenship	49%
Protect and improve environment in which to live, work and do business	46%
Employee benefits	31%
Public Relations	20%
Pluralism: Maintenance of choices between government and private sector	40%
Committment: Of directors or senior officers to particular causes, involvement	31%
Pressure from business peers or customers	8%

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[5] *Voluntary Support of Education 1976*, p. 4.

[6] *Corporate Support of Higher Education 1976*, p. 5.

Altruism: With little or no direct or indirect company self-interest	8%
Manpower supply: Increase the pool of trained or untrained manpower, or access to minority recruiting	63%

Source: James F. Harris and Ann Klepper, *Corporate Philanthropic Public Service Activities*, p. 16.

Obviously manpower considerations dominate. Corporations are keenly interested in having trained personnel. Corporate citizenship is also an important reason. Contributions are viewed as a social responsibility and corporations as an integral part of society should play an important role. Pure altruism received only eight percent, which indicates that corporations expect some benefit, albeit of an intangible nature.

Fifty-three percent of 408 chairmen and presidents said that if tax incentives were increased, the company's percentage of contributions to taxable income would be increased by 50 percent or more over a two to five year period. Other factors mentioned that would lead to increased contributions were "more confidence that contribution programs were successful, 23 percent, stockholder approval, 24 percent, and if peer companies would increase their percentage, 21 percent." The implications from the survey as a whole indicate that while tax benefits are not the prime reason for giving, increases in tax benefits would lead to increased giving. The situation was summed up by a major oil company executive. "Contributions are made because of the corporation's desire to participate in solving problems. The fact that there is a tax advantage is of secondary importance. It costs more dollars to give than not to give, after tax or by any other criterion."[7]

If a long range view is taken, the most persuasive reasons to give are related to the corporation's long range well being. Among the factors contributing to such well being are:

> (1) Developing new knowledge through research and improved company teaching.
> (2) Insuring an adequate supply of educated manpower for the company, for industry, and for the economy, generally.
> (3) Maintaining and improving the economic, political and social climate necessary to the continued existence of a corporate free enterprise.[8]

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[7] *Ibid.*, p. 41.

[8] Ralph Lingo Thomas, *Policies Underlying Corporate Giving*, p. 92.

Other possible benefits such as good public relations are secondary.

Since 1936, corporate contributions have been deductible up to five percent of taxable income which for the majority of companies provides no restriction since most companies give less than that amount. Prior to 1936, deductions were allowed if they qualified as ordinary and necessary business expenses. Under present law, no corporate disbursement qualifying as a charitable duduction may be claimed as a business expense. The reason for this provision is that the IRS does not want corporations that exceed the five percent limitation to claim the excess as a business expense. If contributions exceed the limitation, the excess may be carried over for deduction over the five succeeding years.[9]

Section 170(c) of the Internal Revenue Code lists the types of organizations to which contributions are deductible. Charitable contribution "means a contribution or gift to or for the use of- a corporation, trust or community chest, fund or foundation organized exclusively for religious, charitable, scientific, literary or educational purposes...no part of the net earnings of which inures to the benefit of any private shareholder or individual."[10] Colleges and universities do fall in that category so there is no question as to the deductibility of any contributions made to them.

Prior to the Tax Reform Act of 1969, gifts of ordinary income property could be donated and a deduction for the fair market value of such property could be realized. Under provisions of the Tax Reform Act, the amount of the charitable contribution deduction must be reduced by the amount of gain that would not have been long term capital gain.[11] This reduces the deduction to the donor's cost basis. The effect of this provision was to eliminate the advantages of corporations donating inventory and receiving fair market value as their deduction. Still, it is impossible to determine the effect on institutions of higher education. Gifts of inventory are probably not particularly important to colleges and universities. The Tax Reform Act also imposed restrictions on contributions of long term capital gain property by companies to their foundations. This will be discussed in the section on corporate foundations. However, gifts of long term capital gain property made directly to institutions of higher education are deductible at fair market value. Accrual basis corporations may take a deduction either the year the gift is voted by the Board of Directors or the year the gift is made, provided the gift is actually made on or before the fifteenth day of the third month following the taxable year. This provides some flexibility on the timing of deductions.[12]

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[9] Internal Revenue Code Section 170(d)(2).

[10] Ibid., Section 170(c)(1)(B).

[11] Ibid., Section 170(e)(1)(A).

Up until now, the focus of this paper has been on the reasons for giving and the deductibility of such giving. No mention has been made as to the legality of such giving, which turns on state laws. The main argument against the legality of corporate charitable contributions is based on the doctrine of ultra vires. Under this doctrine, a corporation is prevented from exceeding the powers granted by the articles of incorporation and applicable statutes. The 1953 New Jersey case of A.P. Smith Manufacturing vs. Barlow settled the controversy. In that case a gift of $1,500 by the Smith Co. to Princeton University was upheld.[13] The decision was based on two ideas. "A statute could effectively empower a corporation to make charitable gifts regardless of the fact that it was incorporated prior to the effective date of the statute."[14] It was also held that a corporation had the common law power to make charitable contributions to general education institutions. The significance of this is that the contribution was general in nature and not at all related to A. P. Smith's business. Thus, no direct benefit inured to the company. In addition to the case law in support of the legality of corporate gifts, legislation has been enacted throughout the United States ensuring the legality of such gifts. New York was one of the first states to pass permissive legislation allowing corporate contributions. The legislation is embodied in New York, General Corporation Law, Section 34.

> Section 34. Corporations authorized to contribute for betterment of social and economic conditions.
>
> Every corporation organized under the laws of this state and doing business or operating in this state shall have power to cooperate with other corporations and with natural persons in the creation and maintenance of instrumentalities conducive to, or to subscribe to and make payments as a proper part of the expense of its business of funds for, the betterment of the social and economic conditions in any community or communities in which such corporation is operating

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[12] Ibid., Sections 170(a)(2)(A) and 170(a)(2)(B).

[13] A. P. Smith Manufacturing v. Barlow, 13 N.J. 145 98A. 2d 581 (1953), appeal dismissed 346 U.S. 86 (1953).

[14] Ralph Lingo Thomas, Policies Underlying Corporate Giving, p. 21.

> and to that end such corporations may in their discretion expend such reasonable sums as they may deem expedient, provided, however, that the provisions of this section shall not be construed as directly or indirectly minimizing or interpreting the rights and powers of corporations, as heretofore existing, with reference to subscriptions and payments of the nature above specified...[15]

ROLE OF COMPANY FOUNDATIONS IN CORPORATE GIVING

"A foundation may be defined as a non-governmental, non-profit organization having a principal fund of its own and established to maintain or aid, social, educational, charitable or other activities serving the common welfare."[16] Company foundations have become a very popular way to achieve a company's charitable goals. The reasons are many fold. "The prime motive for establishing a foundation was a desire to divorce contributions from possible fluctuations in company earnings."[17] Corporations contribute large sums to their foundations in years of high profits and make little or no contributions during years of low profits. The excess of unspent funds from high funding years together with any income from unspent assets allows the foundations to maintain relatively stable levels of charitable giving.

The Council for Financial Aid to Education jointly with The Conference Board publishes annual surveys on "Corporate Support of Higher Education." About 800 major corporations are surveyed. The results of the survey bear out the proposition that corporation foundations pick up the slack when profits are low.

> In 1975, when corporate profits were somewhat depressed and company giving was reduced, the grants made by the reporting foundations amounted to $168.5 million, which was $55.2 million, or 48.6%, greater than the amounts received by these foundations from their sponsoring companies. In 1976, by contrast, the grants made by corporations to their sponsored foundations exceeded by $12.0

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[15] New York State General Corporation Law, Section 34.

[16] F. Emerson Andrews, Philanthropic Giving, p. 90.

[17] John H. Watson III, The Impact of the Tax Reform Act of 1969 on Company Foundations, p. 5.

million, or 5.8%, the level of giving by their foundations, and this reflects the recovery of pretax net income from the low levels of 1975.

The corporate community thus increased both its direct giving and its indirect giving through foundations in 1976, and in addition it deliberately supplied its sponsored foundations with excess funds to be used in later years.[18]

TABLE 1

STRUCTURE OF CORPORATE CONTRIBUTIONS
(millions of dollars)

	1976*	1975*	1974*
Total company giving	$531.7 (743)	$381.6 (761)	$437.7 (772)
Less: Grants to company foundations	207.7 (227)	113.3 (230)	154.1 (239)
Other company contributions	324.0 (694)	268.3 (719)	283.6 (239)
Plus: Contributions by company foundations	195.7 (320)	168.5 (322)	154.3 (329)
Total corporate contributions	$519.7 (773)	$436.8 (796)	$438.1 (799)

* Numbers in parentheses are counts of non-zero answers.

Source: Corporate Support of Higher Education 1976, pp. 9-10.

The decrease in total company giving in 1975 is attributed mainly to decreased funding of company foundations. Company foundations made up the difference in total corporate contributions so that the decrease was minimal. In 1976 total company giving increased drastically while contributions by company foundations increased only modestly. Table 1 clearly shows how company foundations work to smooth out fluctuations in direct company giving. The figures represented are not contributions to institutions of higher education but contributions in general.

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[18] Corporate Support of Higher Education 1976, pp. 9-10.

Although foundations are not a prerequisite to effective administration of contributions, they do afford better control over contributions and a greater degree of coordination.[19]

> Requests for contributions are channelled to the foundation, relieving business executives of the chores of acknowledging and handling solicitations. Such requests can be effectively checked in an office set up for that purpose, under an executive who devotes much or all of his time to such tasks.[20]

Another advantage of foundations is that they can make more long-term commitments possible, which is particularly important to educational institutions.

The Tax Reform Act of 1969 imposed many restrictions and reporting requirements that private foundations must follow. In addition, an excise tax of four percent was declared on the net investment income of foundations. The tax only serves to reduce the amount available to be distributed to charitable organizations. The tax was designed to provide revenue so that the IRS could audit foundations more thoroughly. Since its inception it has been found that the extra costs of such audits have only amounted to about two percent of net investment income. In a recent development, the Revenue Act of 1978 has lowered from four percent to two percent, the excise tax on the net investment income of private foundations. This frees more funds that can be used for charitable purposes. The change is effective for taxable years beginning after September 30, 1977. A mandatory payout requirement was also established. Foundations must distribute annually for charitable purposes the greater of: All its income or five percent of its average investment assets. This rule has only a minimal effect on company foundations since most do not have significant investment income, and their distributions substantially exceed the requirements. The Act also changed the rules concerning long term capital gain property donated by companies to their foundations. Unless such long term capital gain property is distributed to a charitable organization within two and one-half months following the taxable year of receipt, the deduction will be fair market value less sixty two and one-half percent of the long term capital gain. If such assets are distributed timely, the deduction will be valued at fair market value. This rule can be easily circumvented quite easily if the company makes such gifts directly to charitable beneficiaries.[21]

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[19] John H. Watson III, The Impact of the Tax Reform Act of 1969 on Company Foundations, p. 5.

[20] F. Emerson Andrews, Corporate Giving, p. 105.

Most of the other provisions of the Act relating to company foundations are concerned with curbing abuses and administrative controls. Foundations are prohibited from making any expenditures to attempt to influence legislation. Spending funds in an attempt to influence an election is also impermissible. Foundation payments to government officials are also prohibited. Furthermore, foundations are required to monitor the activities of some grantee organizations. All of these provisions are beneficial to higher education institutions as they prohibit non-charitable expenditures, which means more for charitable beneficiaries. In addition, colleges and universities do not fall into the category of grantee organizations that would have to be monitored. Substantial taxes and penalties are meted out to foundations that do not abide by these rules.

The Tax Reform Act of 1969 also prohibits foundations from engaging in "self dealing". Examples of such acts would be leasing property from the sponsoring company or buying merchandise from it. One of the most important provisions of the Act is concerned with the ownership of a controlling interest in a business. Many foundations were established with gifts of stock from the sponsoring company. Now there is a restriction on excess business holdings and they have to be liquidated. This provision, along with the administrative requirements of the Act probably have done more to increase the death rate and lower the birth rate of foundations than the other provisions. The reason is that many companies did not want to or were not able to contribute cash, so they funded their foundations with stock. Now, the amount they can contribute via their own stock is limited and many companies are not financially able to contribute cash. This leads to a slower growth rate of new foundations. The administrative burdens are more likely to cause the dissolution of new foundations, as the companies are not equipped to handle them.

On the administrative side, the Act requires foundations to file extensive information returns as well as annual reports. Some of the information required is, names and addresses of the foundation and its managers, its income and other receipts, expenses, and disbursements, details on grants made or authorized, a balance sheet with accompanying details (including market value of securities and other assets), a list of substantial contributors and, where a foundation own ten percent or larger holding in a corporation, a list of foundation managers who have a ten percent or larger interest in that business. While most of the provisions were not directed specifically towards company foundations, they are responsible for adherance to the provisions of the Act. Some people feel that there should be some relaxation of the rules pertaining to company foundations, in light of the increasing death rate and lowered birth rate of company foundations. The lower birth rate and higher death rate is demonstrated in the CFAE survey by the fact that 331 companies had foundations in 1976 while 343 had foundations in 1974.[22]

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[21] John H. Watson III, The Impact of the Tax Reform Act of 1969 on Company Foundations.

In 1970 foundation grants were estimated, by the Conference Board, to be 60 percent[23] of total corporate contributions. In 1976, 37.7 percent of total contributions were made by company foundations. Yet total contributions have not suffered. In 1976, when company foundations accounted for 37.7 percent[24] of total corporation contributions, total contributions were at an all time high. This indicates that there has been a shift from foundation giving to direct corporate giving. Such is not a favorable situation because direct corporate giving is much more vulnerable to changes in business conditions. This is particularly disturbing because when business profits decrease, the need for donations by educational and other institutions increases.

The forms of corporate giving for educational purposes are many and varied. Support of colleges and universities can be broken down into two very broad categories. They are contributions for capital purposes and contributions for current operations. Corporations have always tended to contribute much more for current operations than for capital purposes. In "Voluntary Support of Education 1976-77", the Council for Financial Aid to Education surveyed a key group of more than 1,000 colleges and universities. In 1976-77 it was found that 76.3 percent of corporate support was for current operations. In 1975-76, the figure was 76.2, while in 1974-75 it was 76.3.[25]

In addition to the distinctions between support for current and capital purposes, there are additional classifications within each group. The CFAE in a booklet entitled, "How Corporations Can Aid Colleges and Universities," enumerates and describes the different forms of support. They are as follows:

CURRENT OPERATIONS

Current operations are broken down into the following classifications: unrestricted operating grants and restricted operating grants. Unrestricted operating grants include the sub-categories of general purpose grants, employee matching plans, alumni incentive awards, and indirect or group support. Restricted operating grants include research grants, cost of education supplements, faculty compensation grants, physical plant maintenance grants, and special purpose grants.

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[22] Corporate Support of Higher Education 1976, p. 9.

[23] John H. Watson III, The Impact of the Tax Reform Act of 1969 on Company Foundations, p. 3.

[24] Corporate Support of Higher Education 1976, p. 9.

[25] Voluntary Support of Education 1976-77, p. 61.

Unrestricted operating grants are the most typical method of corporate support. Studies by the CFAE show that one-third of all funds received by institutions directly from business corporations are of an unrestricted nature.[26] There are no designations or limitations on the use of the donated funds. In "Corporate Support of Higher Education 1976," the CFAE surveyed about 800 major corporations to determine how they allocate their contribution dollar. The survey found that 18.4 percent of total corporate support (including donations to education-related organizations, grants for pre-college education, and grants for other educations support) was earmarked as unrestricted operating grants. This does not mean that precisely 18.4 percent of the amount that the average college receives is in that form. It only means that in the survey of about 800 companies, 18.4 percent of their contributions were in that form.[27] The survey was heavily weighted towards large manufacturing concerns. "While it is clear that a more representative sample would give a better indication of the distribution of corporate contributions, the exact size and character of the Survey biases in this respect are not known."[28] For the purposes of this paper, the figures from the survey will be used as there is no other way to determine the distribution of corporate support of higher education.

Employee matching plans have become an increasingly popular form of corporate giving. It is an easy form of giving for the corporation as it frees them from the problem of choosing a recipient and deciding on what amount to give. Some firms match dollar for dollar while other firms match at a higher ratio. One drawback is that matching contributions are usually quite modest and have little impact. In addition some firms end up supporting institutions that they would not ordinarily support.[29] In the 1976 CFAE survey 9.7 percent of the contributions were in this form.[30] In this area, the bias is probably large because large firms usually participate in this form of giving. In the CFAE's survey on "Voluntary Support of Education 1976-77", which is based on a sample of colleges and universities, only 4.6 percent of total corporate support received by the 1,006 colleges and universities responding were in this form.[31]

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[26] How Corporations Can Aid Colleges and Universities, p. 5.

[27] Corporate Support of Higher Education, 1976, p. 17.

[28] Corporate Support of Higher Education, 1975, p. 3.

[29] How Corporations Can Aid Colleges and Universities, p. 7.

[30] Corporate Support of Higher Education, 1976, p. 17.

Another form of unrestricted grant is, indirect support through State and National fund raising groups. The donations are distributed among the members of the group according to some kind of formula. An example of such a group would be the United Negro College Fund.[32] Such support accounted for 5.3 percent of corporate contributions in the 1976 survey.[33]

As for restricted operating grants, the 1976 survey found that 16.6 percent of contributions were devoted to departmental and research grants.[34] "Research grants are especially popular with companies whose products and production processes are of a high technology character."[35] Such grants are the most closely related to the ultimate profitability of corporations even though such research is basic. Research grants "may be designated for the general support of an on-going research program of broad character, or it may be restricted to the support of a particular research project of a well-defined nature."[36] If corporations sponsor more specific research, it is usually on a contract basis and accounted for as a business expense.

Departmental grants are simply grants "made for the exclusive use of any sub-unit of a college or university."[37] Some examples would be grants made to a School of Business or a Department of Psychology. The CFAE feels that such grants are of particular value to academic institutions because it permits individual academic units wider degrees of latitude than is possible under an operating budget."[38]

Library assistance grants and physical plant maintenance grants are self-explanatory and there is no classification as to amount of support in the survey.

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31 Voluntary Support of Education 1976-77, p. 10.

32 How Corporations Can Aid Colleges and Universities, p. 8.

33 Corporate Support of Higher Education 1976, p. 17.

34 Ibid.

35 How Corporations Can Aid Colleges and Universities, p. 9.

36 Ibid.

37 Ibid., p. 10.

38 Ibid.

According to the survey capital grants, including endowment, comprised 16.6 percent of the total. "Capital grants are designated or restricted for use solely in the type of capital account for which specified."[39] Such grants may be expendable such as building grants or they may be non-expendable such as gifts for endowment and for student loan funds. "Endowment" is defined as capital sum of which only the income that the sum generates is expendable while the capital sum is maintained in perpetuity.

Capital grants for student loan funds are "intended to provide financial assistance to students. A revolving fund is set up from which students may borrow to finance part of their education costs."[40] It is a helpful method of giving in that it frees colleges and university money for other purposes.

Gifts of property, which have already been discussed, are another form of capital giving. Such gifts could be in the form of real estate, or a building.

Besides gifts for current and capital purposes, corporations also administer scholarship and fellowship programs. In the survey, scholarships and fellowships accounted for 9.1 percent of the total. While such support is not directly in support of colleges and universities, it is helpful to education in general. In addition, 6.1 percent of the total was contributed for student financial aid, which is considered a direct grant because it is done under the auspices of colleges and universities.[41]

In 1976-77, individuals accounted for $1,284 million in support of higher education which was $127 million greater than the previous year. Individual givers were the largest group of identifiable donors and their contributions comprised 48.1 percent of total support estimated by the CFAE. Individual giving can be broken down into two categories, alumni and non-alumni. Individual giving gave $638 million and non-alumni gave $646 million which was up 8.5 percent and 13.5 percent respectively from the previous year.[42] In contrast with giving by corporations, individual giving is slanted towards giving for capital purposes. In 1976-77 56.6 percent of individual giving was for capital purposes, which compares with 55.5 percent in

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[39] Ibid., p. 14.

[40] Ibid., p. 16.

[41] Corporate Support of Higher Education 1976, p. 17.

[42] Ibid.

TABLE 2

PURPOSES OF EDUCATIONAL SUPPORT

	1976	
	Amount	% of Total
Support of Colleges and Universities		
Direct Grants:		
Unrestricted operating grants	$32,106,100	18.4
Student financial aid	9,663,100	5.5
Departmental and research grants	29,012,100	16.6
Capital grants (including endowment)	30,355,200	17.4
Employee matching-gift programs	16,991,900	9.7
Total Direct Grants	$118,128,900	67.7
Indirect GRants through State and National Fund Raising Groups		
Total Support of Colleges and Universities	$127,460,000	73.0
Precollege Educational Institutions	6,413,000	3.7
Scholarships and Fellowships	15,869,500	9.1
Education-Related Organizations	9,754,800	5.6
Other Educational Support	14,928,900	8.6
Total	$174,426,200	100.0

Source: Voluntary Support of Education 1976-77, p. 4.

1975-76, and 53.3 percent in 1974-75.[43] Of the total given in 1976-77, 65.4 percent was contributed by living donors, 27.7 percent was by bequest, and 6.8 percent was in the form of deferred giving.[44]

Americans contribute for various reasons, including tax benefits. There have been various studies done concerning the relationship between tax benefits and giving. One thing that is universally agreed upon is that tax benefits are a much more powerful incentive to those in higher tax brackets than to those in lower tax brackets. The cost of a charitable contribution to a taxpayer depends on his or her tax bracket and whether or not he or she itemizes his or her deductions. For itemizers, the cost for each contribution dollar is 1-their marginal tax rate. The marginal tax rate is the rate at which the last dollar of income is taxed. For example, a taxpayer who is in the 50 percent tax bracket would have $500 as his cost for a contribution of $1,000, while a taxpayer in the 40 percent bracket would have an effective cost of $600. The difference is due to the progressive nature of the tax system. For taxpayers who use the standard deduction, the cost of a $1,000 contribution would be $1,000. Thus, the standard deduction user receives no tax benefits. Currently, more than 70 percent of all taxpayers use the standard deduction. In 1975, when $21.5 billion was contributed by individuals for all charitable purposes, over $6 billion was contributed by non-itemizers. This means that, more than 70 percent of all taxpayers contributed approximately 28 percent of the contributions.[45] At any rate, the $6 billion was contributed without any tax benefits accruing to the donors. The trend is towards increased liberality with respect to the standard deduction. The standard deduction was increased in 1975, and subsequently, the number of itemizers decreased. This is not a healthy situation as studies "have shown that an increase in the standard deduction results in a loss of charitable contributions."[46] However, a favorable piece of legislation, the Fisher-Conable bill, has been introduced in Congress and been referred to the House Committee on Ways and Means. "It is designed to enable all Americans - whether or not they itemize their tax returns - to take a charitable deduction for the sums they contribute."[47] It is estimated that passage of the bill would mean a gain of more than $4 billion for charities.[48] The bill is not without its opponents. They believe that it would "result in a net loss of tax revenues to the Treasury."[49] The proponents of the bill "say the loss would be in the area of $3.2 billion, yet the gain in total charitable giving would exceed that by a significant amount."[50] At this time, the fate of the bill cannot reasonably be estimated. As of November, 1978, no action has been taken on the Fisher-Conable bill. However, the Revenue Act of 1978 has increased the standard deduction for single individuals to $2,300, for married couples filing a joint return to $3,400 and for married persons filing separate returns to $1,700. The increases are effective for taxable years beginning after December 31, 1978.

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[43] *Ibid.*, p. 61.

[44] *Ibid.*, p. 9.

[45] *Giving USA*, p. 10.

[46] *Ibid.*

[47] *Ibid.*, p. 5.

[48] *Ibid.*

The decision to itemize depends on whether the taxpayer's total itemized deductions exceed the standard deduction. The standard deduction for a single individual is $2,200, for married filing jointly, it is $3,200, and for married filing separately it is $1,600.[51] Itemized deductions are usually composed of mortgage interest expense, property taxes, medical expenses, charitable contributions, and state and local taxes.[52] If the total of allowable itemized deductions exceed the standard amounts, then it is beneficial for the taxpayer to itemize. Charitable contributions are only one of a number of components that determine whether it pays to itemize or not. The significance of itemizing on contributions was shown by James F. Morgan, Richard F. Dye, and Judith H. Hybel, in a 1975 study prepared for the Commission on Private Philanthropy and Public Needs. The Commission, commonly called the Filer Commission, was charged with "examining the role of private philanthropy in American life and the structure and operation of the tax incentives for charitable giving."[53] Morgan, Dye, and Hybel found that for each income bracket, the average contribution was substantially higher for itemizers than non-itemizers, but they could not infer that itemizing caused the giving, because "for some people, it can be the giving to charity that makes the total deduction large enough to make it worthwhile to itemize."[54] They also concluded that, "the differences in average giving, within relatively narrow income bands between those who do and do not itemize, are so large as to imply that there must be a substantial tax incentive to charity."[55] An additional indication that tax benefits play an important role in charitable giving can be shown by the fact that those in higher tax brackets (and who have a lower cost of contributions), contribute more as a percentage of their adjusted gross income than do those in lower tax brackets. This is particularly important for higher education as, "the percentage of giving that goes to higher education increases with income."[56] In the same survey, Morgan et al found that contributions to higher education, increased from one percent of total contributions by those with incomes under $20,000 to over 25 percent by those with incomes over $200,000.[57]

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[49] *Ibid.*, p. 10.

[50] *Ibid.*

[51] Internal Revenue Code, Section 63.

[52] *Ibid.*

[53] *Voluntarism, Tax Reform, and Higher Education*, p. 14.

[54] James F. Morgan, et al., *Results from Two National Surveys of Philanthropic Activity*, p. 192.

Since the upper income classes provide a disproportionate share of contributions to higher education, any reduction in income or estate tax benefits would affect higher education much more than any other group of charitable donees. Any change in the tax laws would most certainly be aimed at wealthier families who enjoy the differential tax advantages described above. Martin S. Feldstein and Charles Clotfelter did a 1975 econometric study on the effects of various changes in the tax laws, in relation to total giving and giving to higher education. It was found that, "the replacement of the deduction by a 20 percent tax credit (including a credit to non-itemizers) only decreases average giving by ten percent while a 30 percent credit actually increases average giving by one percent."[58] Such a change would eliminate the differential tax advantage that high tax bracket taxpayers and itemizers have. The taxpayer would figure out his taxes without taking into account his contributions. Then he would be able to offset either 20 percent or 30 percent of the value of his contributions against the tax due. The effects on total giving would not be that significant if such a proposal were enacted, "but this substitution does have a substantial effect on the distribution among different income classes."[59] "A 30 percent credit raises the average gift of households with incomes below $20,000 but decreases the average gift of households with incomes between $50,000-$100,000 by 48 percent and the average gift of households over $100,000 by 93 percent."[60]

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[55] Ibid.

[56] Ibid., p. 208.

[57] Ibid.

[58] Martin S. Feldstein and Charles Clotfelter, Tax Incentives and Charitable Contributions in the United States: A Microeconometric Analysis, p. 1411.

[59] Ibid.

[60] Ibid.

In light of the fact that higher education receives most of its support from individuals in the higher income brackets, such a change would be disastrous. In the same survey, it was also found that elimination of the taxpayer's ability to contribute appreciated property without paying any tax on the appreciation gains would cause a 64 percent reduction in giving by the highest income classes and very small increases in all other classes.[61] Feldstein did another study with Amy Taylor in which they predicted the change in gifts to educational institutions under ten simulations of proposed tax changes (Table 3).

It can be seen that most of the proposals would have negative impacts for higher education, and the proposals that would increase giving to institutions of higher education would provide only marginal benefits. There have been numerous other reports and surveys on the effects of changes in tax laws. The Commission on Foundations and Private Philanthropy asked 85 large donors, in 1969, how they would react if there were no tax benefits. "Only four percent indicated that it would have no effect. The remaining 96 percent replied that they would reduce their giving, and the median reduction was 75 percent."[62] The same survey found that approximately 70 percent of direct gifts were in the form of appreciated property.[63]

The importance of large gifts and gifts of appreciated property to institutions of higher education can hardly be over emphasized. Julian H. Levi and Sheldon Steinbach did a study for the American Council on Education for the academic year 1973-74. Over 900 colleges and universities answered detailed questionnaires as to the amounts and forms of contributions received. It was found that "of all gift transactions by individuals to higher education in 1973-74, 99.56 percent were for less than $5,000 and in the aggregate produced only 29.16 percent of all voluntary support by individuals. The remaining .44 percent of all transactions (those over $5,000) produced 70.84 percent of all voluntary support."[64] This clearly highlights the importance of large gifts.

Another interesting note was that "approximately 52 percent of gifts over $5,000 from individuals received were in

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61 Ibid., p. 1412.

62 Foundations, Private Giving, and Public Policy, Report and Recommendations of the Commission on Foundations and Private Philanthropy, p. 34.

63 Ibid., p. 35.

64 Julian H. Levi and Sheldon Elliot Steinbach, Patterns of Giving to Higher Education, p. 17.

TABLE 3

EFFECTS OF ALTERNATIVE TAX TREATMENTS ON CHARITABLE GIVING
(in billions of 1970 dollars)

Simulation	Proposal	Percent Change in Gifts to Educational Institutions
1.	Eliminate deduction	-48
2.	25% tax credit	-24
3.	30% tax credit	-17
4.	Floor on deductions, 3% of adjusted gross income	-36
5.	Constructive realization of gifts	-8
6.	Limit maximum charitable deductions to taxes paid	-2
7.	30% optional credit, all returns	+8
8.	30% optional credit, itemizers only	+4
9.	Extend deduction to non-itemizers	+3
10.	Increase standard deduction (maximum $2500, minimum $1500)	-3

SOURCE: Martin S. Feldstein and Amy Taylor, The Income Tax and Charitable Contribution Estimates and Simulations with the Treasury Tax Files, p. 1435.

the form of securities, real estate or other property."[65] This is quite relevant in that gifts of property are treated differently for tax purposes and that any change in the current law pertaining to such gifts would have serious effects on institutions of higher education.

The importance of large gifts was pervasive in all forms of giving. Bequests of $5,000 or more amounted to approximately 98% of all bequest receipts, while bequests of securities, real estate, and other property represented 41% of all bequest receipts, 98.5 percent of annuities, life contracts, and other forms of deferred giving, which will be described later, came in transactions of over $5,000.[66]

The incentives provided by the tax laws to contribute to charitable causes should not be minimized. However, there are other reasons for giving. The reasons are not altogether clear and there is no sure way of knowing how much is given for any particular reason. "Alumni contribute primarily because they desire the continual well being of institutions which have served them in the past. Non-alumni and families are involved in the support of higher education for reasons relating to their faith in higher education as a means to an improved society."[67] Other reasons for giving include approval of the organization, and the feeling that one needed money. A less altruistic reason for giving is pressure from peers. There are some people who give because they are involved with the organization in some capacity or they know someone in the administration. All things considered, the most clearly delineated reasons for giving are related to the tax incentives associated with such giving. The tax rules and the particular benefits for different types of contributions will be discussed in the following section.

In order to understand better the tax laws relating to charitable contributions, some mention must be made of the prior laws. Under prior law, limitations on an individual's deduction for charitable contributions were based solely on the amount of adjusted gross income. Adjusted gross income is income from all sources reduced by trade, business, and certain other expenses. Contributions were deductible up to 20% of adjusted gross income. In addition, contributions to certain other organizations could be deducted to the extent of another ten percent of adjusted gross income, which in total would raise the deduction to 30 percent of adjusted gross income. To the extent that such contributions to organizations qualifying for the additional ten percent deduction exceeded 30 percent of adjusted gross income, they could be carried over as a deduction in the succeeding five years. Contributions were deductible at fair market value, except for depreciable property which had to be reduced by depreciation recapture.[68]

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[65] Ibid., p. 18.

[66] Ibid., p. 22.

[67] Earl F. Cheit and Theoder E. Lohman III, Private Philanthropy and Higher Education: History, Current Impact, and Public Policy Considerations, p. 485.

The Tax Reform Act of 1969 changed the amount of charitable contributions that are deductible, the limitations within such amounts may be deducted, and the carryover provisions. Another change was that the amount deductible depends on what is contributed and the status of the donee organization.[69]

According to the IRS, there is a distinction between recipient organizations for computing the amount of allowable deductions. Higher education falls into the so-called 50 percent type organizations, which also includes churches, hospitals, organizations that receive substantial support from governmental units or the general public, and certain private foundations.[70] Operating, conduit, and community foundations are the three types of foundations that qualify as a 50 percent type organization.

> An 'operating' foundation is one that distributes substantially all of its income directly for the active conduct of the activities for which it is organized and operated and also meets any one of three alternative tests concerning the use of its assets and the source of its support. A 'conduit' foundation is one that, not later than two and one-half months after the close of the taxable year in which it receives contributions, makes qualifying distributions out of corpus (i.e., not out of current or accumulated income) in an amount equal to such contributions. The donor must obtain evidence from the donee that such distributions were made. A 'community' foundation is one that pools into a common fund all the contributions of its donors, who retain the right to designate the public charities that will benefit from the income from their contributions. Such income must be distributed by the foundation within two and one-half months after the close

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[68] Economics of Charitable Giving, p. 3.

[69] Ibid., p. 4.

[70] Internal Revenue Code, Section 170(b)(1)(A).

> of the taxable year. The corpus attributable to each donor's contribution must be distributed to public charities designated by him within a year after his death (or his spouse's death if the spouse has the right to designate the recipient).[71]

The other group which is comprised of all other types of organizations, including private foundations that do not qualify as 50 percent type organizations, are referred to as 20 percent type organizations. There is no problem for an educational institution to qualify as a 50 percent type organization, as long as it meets the requirements of the IRS code. "An educational organization which normally maintains a regular faculty and curriculum, and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are carried on," qualifies.[72]

The 50 percent type organizations are so called because that is the percentage limitation applicable for contributions to such organizations. That is, cash contributions are deductible up to 50 percent of the contribution base, which is adjusted gross income without regard to any net operating loss carryback to that year.[73] However, there are limitations imposed when long term capital gain property is contributed. Contributions to 20 percent type organizations are deductible at the lesser of: 20 percent of the taxpayer's contribution base for the taxable year: or the excess of 50 percent of the taxpayer's contribution base for the taxable year over the amount of charitable contributions allowable.[74]

A capital asset is property held by the taxpayer (whether or not connected with his trade or business), but does not include 1) stock in trade (inventory); 2) property used in his trade or business which is subject to the allowance for depreciation, or real property used in his trade or business; 3) a copyright, a literal, musical, or artistic composition, a letter or memorandum, or similar property in the hands of the creator; 4) accounts or notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property described in paragraph (1); and certain other items.[75] However IRC Section 170(b)(1)(C)(iv), property used in the trade or business, shall be treated as a capital asset for determining charitable contributions. The sale of such property must result in a gain and be held for more than twelve months in order to qualify as long term capital gain property.[76] Contributions of long term capital gain property are subject to a limitation of 30 percent of the contribution base. For example, if a taxpayer with a contribution base of $60,000 donates appreciated securities that have a fair market value of $25,000, his current contribution deduction is limited to $18,000, and he has a carryover of $7,000. However, the taxpayer may make an election that would qualify the contribution for the 50 percent deduction. In order to do so, the taxpayer must reduce all such contributions by 50 percent of the long term capital gain that would have been recognized, had the contributed property been sold at its fair market value.[77] In the preceding example, if the taxpayer had a basis in the property of $15,000 his taxable gain would have been $10,000. So he or she can take a current deduction of $20,000 ($25,000 FMV less ½X $10,000 appreciation). If such an election is made, there will be no carryover. Once made, the election is binding. The taxpayer must adjust the amount of his contributory carryovers from previous years that were carried over as contributions subject to the 30 percent limitation.[78] Gifts of ordinary income property are deductible only at the donor's cost. Some examples of ordinary income property are inventory, artistic works in the hands of the creator, agricultural products in the case of a farmer, and short term capital gain property (capital assets held less than twelve months).[79] Obviously, there is a distinct advantage to the donor of contributing long term capital gain property rather than ordinary income property.

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[71] Tax Economics of Charitable Giving, p. 1.

[72] Internal Revenue Code, Section 170(b)(1)(A)(ii).

[73] Ibid., Section 170(b)(1)(E).

[74] Ibid., Section 170(b)(1)(B)(i)-(ii).

Contributions of tangible personal property are deductible at fair market value less 50 percent of the appreciation element, if the use of such property by the donee is unrelated to the purpose or function for which its exempt status was granted.[80]

The Tax Reform Act of 1969 reduced the attractiveness of selling property to charitable organizations at less than fair market value. Prior to the Act, the excess of the fair market value over the sales price was considered a charitable contribution. If the taxpayer sold the property to a charitable organization for an amount equal to his tax basis, he recognized no gain, but would have a charitable deduction. The Tax Reform Act changed the law so that the donor's tax basis must be allocated on the basis of relative fair market values between that portion which he sells and that which he contributes.[81] The result is that some gain will have to be recognized. Bargain sales used to be a very popular form of giving, but due to the changes in tax law it is not so popular any longer.

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[75] Ibid., Section 1221.

[76] Ibid., Section 1223.

[77] Ibid., Section 170(b)(1)(C)(iii).

[78] Ibid.

[79] Ibid., Section 170(e)(1)(A).

[80] Ibid., Section 170(e)(1)(B)(i).

A carryover is available for certain contributions in excess of the limitations. Contributions to 50 percent-type organizations in excess of 50 percent of the contribution base can be carried over and deducted in the five succeeding tax years. If contributions of long term capital gain property, subject to the 30 percent limitation, exceed 30 percent of the contribution base, they can be carried over five succeeding years subject to the same 30 percent limitation. Contributions to 20 percent-type organizations that exceed the amount allowable cannot be carried over and the excess is lost.[82] The extent to which contribution carryovers actually can be utilized depends upon the contributions made in the year to which they are carried. Current contributions to 50 percent-type organizations, whether subject to the 30 percent or 50 percent limitation, must be considered before contributions carried over from prior years. Current contributions to 20 percent-type organizations are always considered last, after consideration of contributions, both current and carryover, to 50 percent-type organizations.[83]

DEFERRED GIVING

Deferred giving is a popular form of giving because the donor is allowed a current income tax deduction, while he retains the present enjoyment of the property contributed. Between 1972-73 and 1976-77, deferred giving as a percentage of voluntary support by individuals has ranged between 6.3 percent and 9.0 percent.[84] The various forms of deferred giving will be described below.

Prior to the Tax Reform Act of 1969, an individual could contribute property and reserve the right to receive either the income from the property or a fixed annual amount for a period of time. The contribution could be made in trust or directly by transfer of the property to the charitable organization. The donor was entitled to a deduction equal to the excess of the value of the property contributed over the donor's retained right to receive either the income or the fixed annual amount. The value of the deduction was computed by using tables of life expectancy, based on mortality factors that estimate the value of a remainder interest at various ages. The tables assumed that there would be an annual return of 3½ percent of the value of the property. There was a problem with such a procedure. "The use of the tables to determine the amount of the contribution did not necessarily assure any close relationship between the amount of the contribution deduction and the amount of property ultimately received by the charitable organization."[85] Donors could "maximize the income interest by converting the property into high income-producing but high risk assets."[86] Such actions by donors led to litigation with the IRS.

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[81] Ibid., Section 170(e)(2).

[82] Tax Economics of Charitable Giving, p. 9.

[83] Ibid.

[84] Voluntary Support of Education, p. 62.

The Tax Reform Act of 1969 provided changes in the rules. "The law now provides that no charitable contribution deduction will be allowed for income, estate or gift tax purposes for the value of a remainder interest transferred in trust unless the form by which the transfer is made is a charitable remainder unitrust, a charitable remainder annuity trust, or a pooled income fund."[87]

CHARITABLE REMAINDER UNITRUST

By use of the unitrust, the donor can retain an income interest in the property contributed and receive a current deduction for the value of the remainder interest that ultimately passes to the donee. In order to qualify for tax purposes, certain requirements must be met. 1) The trust must pay a fixed percentage, not less than five percent of the net fair market value of its assets to at least one non-charitable beneficiary, who must be living at the time the trust is created. 2) For purposes of determining the amount of the payments to the non-charitable beneficiary or beneficiaries, the trust assets must be valued annually. 3) The payments to the non-charitable beneficiary must be payable, at least annually, either for a term of years (but not in excess of 20 years) or for the lives of the beneficiaries. 4) The trust may pay no other amount to or for the use of any person other than a qualified charitable organization. 5) The remainder of the trust must be transferred to or for the use of a qualified charitable organization, or retained by the trust for such use.[88]

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[85] Tax Economics of Charitable Giving, p. 27.

[86] Ibid.

[87] Ibid., p. 28. Internal Revenue Code, Section 170(F)(1).

The trust can distribute only the amount of its income in a year when the income is less than the payment required. Consequently, a unitrust is allowed to pay more than the specified rate when the trust income exceeds that amount, but only to the extent that the aggregate of the amounts actually paid in prior years was less than the aggregate of the required payments. The same trust can be used for making additional charitable gifts.

In the 1973-74 study by Levi and Schneider, the unitrust arrangement was the most common form of deferred giving. Over 42 percent of the deferred giving in the year surveyed was accomplished by this vehicle.[89] The unitrust has some clear advantages over the other forms of deferred giving. It provides the best hedge against inflation for the non-charitable beneficiary. In an inflationary economy, the value of the trust assets should increase in concert with the general inflationary trend, thus providing annual payments to the income beneficiaries that shelter the receipient from diminishing purchasing power. The unitrust is also flexible in the amount of payments the trust must make. The flexibility allows the trust to invest in low yield growth stocks when the income beneficiary has higher income, in which case the trust need only distribute the income, which is taxable to the beneficiary. If the beneficiary retires, the trust can shift to high yield investments, and the beneficiary would be paid the full amount of the trust income until the income deficiencies of the prior years are paid.[90]

CHARITABLE REMAINDER ANNUITY TRUST

The charitable remainder annuity trust, like the unitrust, allows a donor a current tax deduction while he or she retains an income interest in the property contributed. A taxpayer can transfer property to such a trust and receive an annuity for his or her lifetime or for a term of years (or for the joint lives of the spouse and him or herself). The charitable remainder annuity trust must meet the following requirements. 1) The trust must pay "a sum certain" to at least one non-charitable beneficiary who must be living at the time the trust is created. 2) The amount paid cannot be less than five percent of the initial net fair market value of the contributed property. 3) The fixed sum must be payable, at least annually, either for a term of years (but not in excess of twenty years) or for the life of the non-charitable beneficiary. 4) The trust must pay no other amounts to or for the use of any person other than a qualified charitable organization. 5) The remainder interest must be transferred to or for the use of a qualified charitable organization or retained by the trust for such use.[91]

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[88] Internal Revenue Code, Section 664(d)(2).

[89] Julian H. Levi and Sheldon Elliot Steinback, Patterns of Giving to Higher Education, p. 18.

[90] Tax Economics of Charitable Giving, p. 44.

The amount of the deduction that results from a transfer to an annuity trust is the excess of the fair market value of the property placed in trust over the present value of the annuity reserved by the donor. Tables published by the IRS are used to determine the present value of the annuity.[92]

The charitable remainder annuity trust is appropriate for a donor who is concerned with the certainty that the income beneficiary will receive a specified amount of income during the term of the trust. "The income beneficiary is not at the mercy of the market or general economic fluctuations, since the fixed amount of the annuity trust must be paid, even if the corpus of the trust must be consumed to satisfy the committment."[93] An annuity trust is the best vehicle for the receipt of bonds, because the amount of the payout can be pegged at the interest rate on the bonds. Thus, the income beneficiary will be assured of receiving the amounts contemplated by the donor. One possible disadvantage of the annuity trust is that no additional contributions to the trust are permitted. In the Levi and Schneider survey, contributions to institutions of higher education by the annuity trust amounted to slightly over 17 percent of all deferred giving for 1973-74.[94]

POOLED INCOME FUND

The pooled income fund is "an investment fund, commonly maintained by charitable organizations, which comprises commingled property contributed by many donors who have retained life income interests in the property."[95] The following requirements must be met in order for a donor to realize a charitable contribution deduction. 1) The donor must transfer in trust an irrevocable remainder interest in property to or for the use of an organization qualifying for the 50 percent charitable deduction and retain therein an income interest for the life of one or more beneficiaries. 2) The property must be commingled with property transferred by other donors. 3) The trust cannot invest in tax-exempt securities. 4) The trust can include only amounts received from transfers which meet the requirements for pooled income funds. 5) The trust must be maintained by the organization for which the remainder interest is contributed and cannot have a donor or a beneficiary of an income interest as a trustee. 6) The income received each year by the income beneficiary must be determined by the rate of return earned by the trust for such year.[96]

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[91] Internal Revenue Code, Section 664(d)(1).

[92] Tax Economics of Charitable Giving, p. 29.

[93] Ibid., p. 43.

[94] Levi and Steinback, op. cit., p. 18.

[95] Tax Economics of Charitable Giving, p. 32. Internal Revenue Code, Section 642(c)(5).

For purposes of determining the amount of any charitable contribution allowable by reason of a transfer of property to a pooled fund, the value of the income interest shall be determined on the basis of the highest rate of return earned by the fund for any of the three taxable years immediately preceding the taxable year of the fund in which the transfer is made. In the case of funds in existence less than three taxable years preceding the taxable year of the fund in which a transfer is made, the rate of return shall be deemed to be six percent *per annum*. The amount of the deduction is the excess of the fair market value of the property contributed over the present value of the income interest. The present value of the income interest depends both on the age of the donor and the rate of return earned by the fund.[97]

The pooled income fund was the least popular of the three methods of deferred giving according to the 1973-74 Levi and Schneider study, representing less than one percent of total deferred giving.[98] However, the pooled income fund does have some advantages for the donor. "It affords the donor a means of diversifying his investments without incurring the tax liability that would ordinarily attend the conversion of those investments into other assets."[99] The pooled income fund also affords the donor access to the professional investment skills of the fund's managers."[100] It is the best way to make contributions of modest amounts. It is the only means of giving that involves a life interest.

The periodic payments to income beneficiaries under the unitrust and annuity trust are not exempt from taxation. There is a prescribed order of distribution that defers any non-taxable receipt by the beneficiary. The prescribed order is: 1) Ordinary income to the extent that the trust has ordinary income for the current year and undistributed ordinary income from prior years; 2) As capital gain to the extent that the trust has capital gains for the current year and undistributed net capital gains from prior years; 3) As other income to the extent the trust has other income for the current year and undistributed other income from prior years; 4) As a distribution from the trust's corpus.[101] Distributions received from a pooled income fund comprise proportionately the different types of income that make up the trust's distributable net income.[102]

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[96] *Ibid.*

[97] *Tax Economics of Charitable Giving*, p. 33.

[98] Levi and Steinbach, *op. cit.*, p. 18.

[99] *Tax Economics of Charitable Giving*, p. 45.

[100] *Ibid.*

Differences notwithstanding, the three methods of deferred giving just described are attractive because they allow the donor a current tax deduction while retaining an income interest in the property contributed. However, adverse estate and gift tax consequences may arise under certain conditions. Such consequences will be discussed in the section on bequests.

In addition to the three methods described, there are other ways to give. They include a remainder interest in real property, a remainder interest in tangible personal property, charitable gift annuities, and contributions of life insurance.

The deduction for a contribution of a remainder interest in real property was curtailed sharply by the Tax Reform Act of 1969. "Under prior law, the amount of the charitable deduction arising from a gift of a remainder interest in real property was determined by reference to prescribed tables that were based on a 3½ percent interest rate. This factor was applied to the fair market value on the date of the gift to determine the charitable deduction."[103] Due to the 1969 Act, the value of the remainder interest must be reduced by an amount which represents imputed reduction in value occasioned by depreciation (computed on the straight line method) or depletion. Thus, the deduction would be fair market value, less depreciation, reduced to its present value by using a discount rate of six percent.[104] Contributions of remainder interests in real property must meet the stringent requirements for a gift in trust unless a remainder interest in a personal residence or farm is involved. The benefits accruing to a donor who contributes a remainder interest in a residence or a farm is that the donor gets to use the residence or farm and he gets a current contribution deduction. The charitable donee gets the remainder interest in the property.

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[101] Ibid., p. 35. Internal Revenue Code, Section 664(b).

[102] Ibid., p. 35. Internal Revenue Code, Section 625(b).

[103] Tax Economics of Charitable Giving, p. 49.

[104] Ibid.

Remainder interests in tangible personal property are also allowable, but only until such time as all intervening interests in the property and all right to the actual possession either are expired or are held by persons other than the donor or members of his or her family.[105] A fractional interest in tangible personal property can also be given. In this, the donor retains possession of the property for a portion of time each year, equal to his fraction of ownership. The donor is entitled to a deduction measured by the fair market value of the fractional interest contributed to the charitable organization. An example of such a situation would be the case of an art patron who owns a painting valued at $100,000, which he acquired for $10,000. He wants to share the painting with the public but is reluctant to part with it completely. So he donates to a museum, for example, an undivided one-half interest in the painting provided that the painting remains in his possession for six months of each year. The donor would be allowed a contribution deduction of $50,000 (one-half of $100,000 FMV), subject to the 30 percent limitation on gifts of appreciated long-term capital gain property.[106]

Charitable gift annuities are another form of giving. Cash or other property is exchanged for a committment by the organization to pay the transferor during the remainder of his life a specified amount each year. The value of the property transferred to the charitable organization exceeds the value of the annuity guaranteed by the charity. The value of the annuity is determined by reference to the cost of a comparable contract purchased from an insurance company. The excess is an allowable charitable deduction. Prior to the Tax Reform Act of 1969, gain was recognized to the extent that the value of the annuity exceeded the tax basis of the property contributed. For example, Mr. X donates stock which cost him $10,000 and has a present fair market value of $23,077. He is 60 years old and wishes the charitable organization to pay him $1,200 per year for his lifetime. The charitable deduction would be $6,847 ($23,077 FMV less $16,230 the value of the annuity). The donor also recognizes capital gain of $6,320 ($16,320 value of annuity, less $10,000 tax basis). Under current law the "bargain sale" rules apply. The donor's tax basis must be allocated between the sale element of the transaction and the contribution element. This reduces the basis for computing taxable gain and increases the taxable gain. For the example cited above the taxable gain would not be $9,320. That is because only 70 percent of the basis of $10,000 would be assigned to the annuity.[107] If cash instead of appreciated property is given, no such computations are necessary. The deduction would be the amount of cash given over the value of the annuity.[108]

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[105] *Ibid.*, p. 50. Internal Revenue Code, Section 170(a)(3).

[106] *Tax Economics of Charitable Giving*, p. 51.

[107] *Ibid.*, p. 54.

Life insurance is another form of deferred giving. The contribution to a charitable organization of the full rights of ownership in a life insurance policy creates an immediate contribution deduction. The measure of the deduction depends on the policy itself. If it is a paid up policy (no premiums remain to be paid), the deduction is generally equal to the replacement value of the property. If premiums remain to be paid on the policy, the deduction is generally equal to the interpolated terminal reserve value of the policy (an amount slightly in excess of cash surrender value). If an irrevocable designation of a charitable organization as beneficiary of a policy is made, subsequent payments by the donor of premiums on the policy will be deductible as charitable contributions.[109]

In addition to gifts of cash and property, gifts of income are allowed. Before the Tax Reform Act of 1969, it was a very popular form of giving. A donor was able to establish a trust to which he transferred income-producing property for a period of years, naming a qualified charitable organization to receive the income for the term of the trust. If the income beneficiary were a 50 percent-type organization, a term of only two years was sufficient to keep the trust income from being taxed to the donor. No charitable deduction was allowed, but the income was not taxed to the donor. The use of such a trust arrangement enabled the donor to avoid the percentage limitations imposed on charitable contributions. The exclusion of the trust income from the donor's income was equivalent to allowing the donor an unlimited deduction. If the donor retained less than a five percent reversionary interest in the trust, he was also allowed a charitable contribution deduction equal to the present value of the income interest contributed. Since the trust property could not revert to the donor, it was necessary that he make a gift of the property to another. The value of the gift was reduced by the value of the income interest contributed to the charitable organization. The result was that the donor could make gifts at a reduced cost to his children or other family members.[110]

Due to the complaints of tax abuse, the rules were changed by the Tax Reform Act of 1969. The Act eliminated the provision that allowed a donor to exclude from his income that portion passing to charity from a trust with a term of at least two years. It also disallowed a charitable deduction for any gift of income in trust unless the grantor were treated as the

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[108] Ibid., p. 55.

[109] Ibid., p. 65.

[110] Ibid., p. 60.

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owner of the income interest (unless the income was taxed to him). In addition, if the donor ceased to be treated as the owner of the income interest, he would realize taxable income to the extent the contribution deduction allowed exceeded the discounted value of the trust income previously taxable to him. Contributions of an income interest in trust must be in the form of a guaranteed annuity or a specified fixed percentage of the fair market value of the trust assets determined yearly. "This requirement as to the form of the interest contributed insures that the amount of the charitable deduction allowed bears a realistic correlation to the amount of income ultimately received by the charitable donee."[111]

The effect of the new rules is that the donor receives an immediate tax deduction for the present value of the income interest, but he must report the income, as it is earned by the trust, even though the income is being paid to the beneficiary. The end result of such a contribution is to "secure immediate tax benefits at the cost of future tax obligations. Further, the future obligations must be satisfied from a source other than the trust income, since it is unavailable to the donors."[112] Due to the changes of the tax laws, the attractiveness of gifts of income has been greatly diminished.[113]

BEQUESTS

Bequests are an important part of giving to institutions of higher education by individuals. During the period 1967-68 to 1976-77, bequests as a percentage of total voluntary support by individuals ranged between 25.1 percent and 34.9 percent.[114] In 1976-77, bequests accounted for 27.7 percent of voluntary support.[115] In the Levi and Schneider study for the academic year 1973-74, gifts of $5,000 or more accounted for more than 98 percent of all bequest receipts and bequests of real estate, securities, and other property represented 41 percent of total bequests.[116] "Bequests to qualified charitable organizations are allowed as deductions in computing the net value of an estate on which the estate tax is imposed."[117] The Federal tax rate is graduated, like the income tax rate, so that the larger the estate, the lower the net cost to the donor.

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[111] Ibid.

[112] Ibid., p. 62.

[113] Ibid., p. 59.

[114] Voluntary Support of Education 1976-77, p. 62.

[115] Ibid.

[116] Levi and Steinback, op. cit., p. 18.

The gross estate of a decedent is "the value at the time of his death, of all property, real or personal, tangible or intangible, wherever situated."[118] The value of the taxable estate is computing by deducting from the gross estate the value of the following: expenses; indebtedness; and taxes; losses; transfers for public, charitable and religious uses; bequests to surviving spouse; and bequests to certain minor children.[119]

"An outright bequest to a qualifying charitable organization isthe simplest way of obtaining an estate tax charitable deduction. The deduction is allowed for the fair market value of the bequest. There are no limitations imposed on the amount of the contribution that may be claimed as a deduction, no percentage limitation on the total contribution that can be deducted, and no distinction made between types of donees or the use to which the donee will put the bequest."[120]

The use of bequests in certain instances can yield substantial benefits. For example, contributions of amounts that are considered "income in respect of a decedent" provide an income tax deduction and an estate tax deduction. "Income in respect of a decedent generally includes amounts of gross income to which a decedent is entitled at the date of his death, but which, because of his method of accounting, has not been included in the decedent's taxable income."[121]

A gift of an insurance policy during a donor's lifetime has no estate tax consequences. However, "a policy owned by an insured at the time of his death must be included in his gross estate at its face amount."[122] If the beneficiary of the policy is a qualified charitable organization, the estate is allowed a charitable deduction that offsets its inclusion in the decedent's estate. The benefit is that there is a marital deduction that enables a donor to leave up to 50 percent of his adjusted gross estate to his surviving spouse tax free. "To the extent life insurance proceeds are includible in a decedent's gross estate, there is created a larger base for computing the one-half of the estate that can pass to the surviving spouse free of estate tax."[123]

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[117] Tax Economics of Charitable Giving, p. 75.

[118] Internal Revenue Code, Section 2031.

[119] Internal Revenue Code, Section 2051, 2053, 2054, 2055, 2056, 2057.

[120] Tax Economics of Charitable Giving, p. 75.

[121] Ibid., p. 76 Internal Revenue Code, Section 691(a).

[122] Tax Economics of Charitable Giving, p. 76.

Under certain circumstances, contributions of remainder interests will have estate tax consequences. If a donor transfers property to a unitrust, annuity trust, or pooled income fund for a term certain, and if the beneficiary is someone other than the donor, then no part of the assets of the trust will be includible in his gross estate. If the donor retains an income interest for his life, and dies, there are no estate tax consequences. In such a situation, "The value of the trust assets must be included in his gross estate and his estate receives a charitable deduction for the full amount."[124] In fact it can lead to an increased marital deduction and reduced taxable estate, as is the case with life insurance. "If the donor transfers property to a charitable remainder trust that provides a life income interest for another person, then no part of the value of the trust will be includible in the donor's gross estate upon his death, since he retained no interest in the property transferred to the trust."[125] If the income interest is retained for the lives of the donor and a survivor beneficiary, and the survivor beneficiary has predeceased the donor, the estate will receive a charitable deduction for the full value of the assets that pass to the charitable beneficiary. If the donor, in such a case predeceases the survivor beneficiary, the value of the trust assets must be included in the donor's gross estate, and the estate will be entitled to a charitable deduction for the value of the remainder interest that will pass to the charitable beneficiary upon the death of the surviving beneficiary.[126]

The strict rules that apply to "gifts of income" for income tax purposes do not apply for estate tax purposes. For estate tax purposes, the income of the trust is not taxable to the donor. A gift of an income interest must be in the form of a guaranteed annuity or a fixed percentage of the fair market value of the property, if the beneficiary of the remainder interest is someone other than a charitable organization. Under such an arrangement, the donor receives an estate tax deduction for the present value of the income interest given, the donee receives the income, and the income is not taxed to the donor.[127]

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[123] Ibid., Internal Revenue Code, Section 2056.

[124] Tax Economics of Charitable Giving, p. 38.

[125] Ibid., p. 39.

[126] Ibid.

[127] Ibid., p. 73.

In a statistical study on the effectiveness of the charitable deduction for estate tax purposes, Martin S. Feldstein found that "(1) the current deduction feature of the estate tax law induces a substantial increase in charitable bequests, (2) the charitable organizations receive more in additional bequests than the Treasury foregoes in potential revenues, and (3) private intergenerational transfers of wealth are therefore reduced, because charitable gifts are increased more than taxes are reduced, the personal heirs now receive less than they would if the current deduction were eliminated."[128] So it seems that the estate tax benefits provided under current law are helpful in promoting transfers to charitable organizations.

The consequences of charitable contributions for purposes of determining New York State taxable income are very similar to those discussed under federal law.

> If federal taxable income of a resident individual is determined by itemizing deductions from his federal adjusted gross income, he may elect to deduct his N.Y. itemized deductions in lieu of his N.Y. standard deduction. The New York itemized deduction of a resident individual means the total of his deductions from federal adjusted gross income, other than federal deductions for personal deductions, as provided in the laws of the United States for the taxable year...[129]

Thus, whatever amounts allowable for federal income tax purposes are also allowable for itemizers of New York State income tax returns. Only those who itemize their federal returns are allowed to itemize New York State returns. The itemizer can elect to itemize or he can use the New York standard deduction, while the taxpayer who uses the federal standard deduction must also use the New York State standard deduction.

For estate tax purposes, the New York State law allows those deductions that are allowable "in determining his federal taxable estate under the internal revenue code..."[130] Under certain circumstances, the amount of the bequest may be limited to one-half of the testator's estate. "Any person may make a testimentary disposition of his entire estate to any person for a charitable, educational, literary, scientific, religious or missionary purpose, provided that if any such disposition is contested by the testator's survivors, issue or parents, it shall be valid only to the extent of one-half of such testator's estate, wherever situated after the payment of debts."[131] Such a clause limits the amount that can be given to charity only if the testator's survivors can show that they have a valid claim to the testator's estate. The rule can be circumvented if the testator explicitly excludes such survivors from his will.

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[128] Martin S. Feldstein, Charitable Bequests, Estate Taxation, and Intergenerational Wealth Transfers, p. 1407.

[129] New York State Tax Law, Section 615.

[130] New York State Tax Law, Section 955(a).

Although voluntary support of higher education currently accounts for only 5.7 percent of total institutional expenditures, it has been and continues to be an important source of funds for colleges and universities. Such funds provide a means of achieving the high degree of independence and freedom indispensible to the attainment and preservation of superior quality in education. Consequently any change in current tax law that would inhibit the flow of voluntary support would have serious consequences for the nation's colleges and universities.

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[131] New York State Estates, Powers, and Trusts Law, Section 5-3, 3.

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CHAPTER 3

INSTITUTIONAL TAX EXEMPTIONS AND TAX BENEFITS

Steven A. Cohen

INTRODUCTION

The purpose of this section is to examine the institutional tax exemptions and tax benefits afforded colleges and universities. The viewpoint will be that of the educational institution looking to the federal, state, and local governments for maximum benefits that the law provides such tax-exempt organizations.

The historical origins of college and university exemptions will be explored first, then the criterion for exempt status will be examined, with the tax mechanisms and benefits provided for colleges and universities being the final area of concentration.

It is hoped that the information presented in the following pages will provide insight into a highly specialized field that could provide colleges and universities with an avenue which might lead to the preservation of the educational system as we know it today. In the present economic position that colleges and universities are in, it is of extreme importance that every administrator make himself aware of the benefits that the law provides for educational institutions. As costs for education continue to increase, it will be the responsibility of educators to understand the relationship between tax-exempt organizations and their status in the eyes of the federal government. In the future, the educators of this nation may need to look to the federal government to provide a greater portion of the funds needed to maintain and further our accomplishments in the field of education.

INSTITUTIONAL TAX EXEMPTIONS AND TAX BENEFITS: HISTORICAL OVERVIEW

The exemptions from federal income tax accorded certain organizations covered by section 501(c) of the Internal Revenue Code can be traced historically through various developmental stages. Each historical stage in the development of institutional tax exemptions and benefits produced the social climate responsible for the present political and economic treatment of various non-profit organizations.

Differentiated treatment of certain groups and individuals can be traced back to primitive tribes in which magicians, priests and medicine men were allowed special privileges in return for the services they provided the tribe. Many of our present tax exempt organizations can trace their beginnings to these tribesmen who developed religious, medical and educational followings. These followings provided the economic support for the group leader in exchange for the social benefits the leader conferred on the group. The support of religious institutions increased during the middle ages when growth in areas of education and medicine were at a standstill.

> In this perspective, it is reasonable to observe that the initial principal evolution from the witchdoctor figure would be in religion, in view of the limited scientific knowledge during the middle ages and the effective political skills of representatives of religion. This proposition can be demonstrated by the gradual expansion of the Christian Church within the Roman Empire where it became, during Constantine's reign, the principal medium for distributing public funds for the benefit of the underpriviledged as well as the state recommended recipient of charitable contributions.[1]

Religious liberty was statutorily protected by Constantine's Edict of Tolerance (313 A.D.) which stated in part:

> That you might understand that the indulgence which we have granted in the matters of religion to the Christians

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[1] M. Fremont-Smith, Foundations and Government (1965) as quoted by Gerald P. Moran, "Private Colleges: The Federal Tax System And Its Impact," The Center for the Study of Higher Education, The University of Toledo (1977), p. 8.

> is ample and unconditional; and perceive at the same time that the open and free exercise of their respective religions is granted to all others, as well as Christians for it befits the well ordered state and the tranquility of our times that each individual be allowed, according to his own choice, to worship the Divinity and we mean not to derogate aught from the honor due to any religion or its votaries...[2]

Constantine's grant of religious liberty to Christians and all others helped to establish a stronghold for the church in England where Christian institutions survived even after the Roman Legions' withdrawal from England circa 407 A.D.

> The subsequent resurgence of Christianity in England was due to the influence of monks educated in highly learned Irish monastaries as well as missionaries from the Roman Church.[3]
>
> In fact, the two separate sources of Christian expansion competed for control of religious matters. The conflict was resolved in favor of the authority of the Bishop of Rome at Whitby in 664 A.D.[4]

Once the church had established a foothold in England as well as the European continent, the church was forced to find a way to maintain its favored position; through the employment of church representatives such as monks, priests, nuns, missionaries, financiers, legalists, philosophers, and royalty, the church was able to protect its interests and further its political influence with the Kings of many countries.

After the Norman Conquest in 1066, the Roman Church was in a secure position in England.

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[2] Schaefer, Resnick, & Netterville, The Shaping of Western Civilization (1970) as quoted by Gerald P. Moran, "Private Colleges: The Federal Tax System and Its Impact," The Center for the Study of Higher Education, The University of Toledo (1977), p.9.

[3] W. Hall, R. Albion, & J. Pope, A History of England and the Empire-Commonwealth (4th ed. 1961), as quoted by Gerald P. Moran, "Private Colleges: The Federal Tax System and Its Impact," The Center for the Study of Higher Education, The University of Toledo (1977), p. 9.

[4] Ibid.

> For a number of reasons, William The Conqueror pursued his English adventure with the blessing of the Pope. There was however, later conflict as to the jurisdictional powers between King and Pope.[5]

Not only was the church a social institution but the political question of church and state jurisdictions would continue to arise with the solution in the United States being the complete separation of powers.

> Since the church was also a multifaceted institution composed of diverse groups with specialized talents, it alone had the administrative facilities for delivering aid to the poor, as well as providing educational and medical services for the benefit of the entire community. The church would explain its moral obligation to provide these services on the basis of its religious tenets. Hence, many of the services originally, and still considered charitable were conducted through the exclusive medium of the church. It was not until much later, as the middle-class emerged politically from their feudal roles, that secular private institutions provided the same services that were previously only delivered by the church. Between the 12th and 15th centuries the seeds of secular and non-monastic involvement in education can be observed in the development of the two early English institutions of higher learning, Oxford and Cambridge. Nevertheless, monasteries retained virtual control of education until the 16th century.[6]

Some of the special privileges enjoyed by the church during the middle ages are still reflected in the law books today.

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[5] Ibid., p. 10.

[6] E. Fisch, D. Freed & E. Schachter, Charities and Charitable Foundations (1974), as quoted by Gerald P. Moran, "Private Colleges: The Federal Tax System and Its Impact," The Center for the Study of Higher Education, The University of Toledo (1977), p. 10.

> The special privileges were, of course, in forms pertinent to the existing institutions. In essence, the preferential claims of the church reflected the ideological struggle for supremacy over civil authority. The privileges included exemptions from certain feudal obligations such as the right to separate ecclesiastical courts under the law, the right to benefit of clergy (which concept led in part to Thomas Becket's untimely death) which involved the priority of the church's courts jurisdiction over wrongs done by the clergy, as well as the right to financial support for repair of churches, and finally most of the lay persons were subject to canon laws regarding marriages and divorces, testaments and interstate succession.[7]
>
> It is interesting to note that Pope Boniface VII (1294-1303) took the position in his Bull *Glericis Laicos* that no civil institution could demand money from the clergy without permission from Rome. This position was partially in response to King Edward I's attempt to impose a heavy income tax in 1294 on the clergy. There were also direct lines of support to Rome through the 'Annales' or 'First Fruits' obligations of abbots and bishops to pay their first year's income to Rome and 'peter's Peace', an annual contribution of one penny for every person in England, which also went to Rome.[8]

Although the church enjoyed many special privileges during the medieval period, the English Kings eventually saw the church as political and economic competition for power and resources.

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[7] Pollock & Maitland, *History of English Law*, (2d ed. 1898), as quoted by Gerald P. Moran, "Private Colleges: The Federal Tax System and Its Impact," *The Center for the Study of Higher Education, The University of Toledo* (1977), p. 11.

[8] W. Hall, R. Albion, & J. Pope, *A History of England and the Empire-Commonwealth* (4th ed. 1961), as quoted by Gerald P. Moran, "Private Colleges; The Federal Tax System and Its Impact," *The Center for the Study of Higher Education, The University of Toledo* (1977), p. 11.

> Through increasing contributions of real and personal property, the church held significant wealth in England by the time of Henry VIII's reign.[9]
>
> To counter the church's economic strength and political power, government institutions attempted to reduce or abate its special position. When the long expected termination of relations between England and the Roman Church occurred, many of England's impoverished constituents were left without charitable services until the new secular and successive religious institutions as well as the government, could replace these important social services.[10]

As secular charitable services expanded in England, Parliament reacted by adopting the statute on charitable uses which, in strikingly similar manner to present day law, defined "charity" by listing those activities which were of a charitable nature.

> The statute on charitable uses provided, inter alia, that charitable purposes included giving property for purposes such as; some for relief of aged, impotent and poor people, some for maintenance of sick and maimed soldiers and mariners, schools of learning, free schools and scholars in universities, some for repair of bridges, port havens, causeways, churches, seabanks and highways; some for education and preferment of orphans, some for or towards relief, stock or maintenance for houses of correction, some for marriages or poor maids, some for supportation aid and help of young tradesmen and handcraftsmen and persons decayed and others for

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[9] M. Bremont-Smith, Foundations and Government (1965), as quoted by Gerald P. Moran, "Private Colleges: The Federal Tax System and Its Impact," The Center for the Study of Higher Education, The University of Toledo (1977), p. 11.

[10] W. Hall, R. Albion, & J. Pope, A History of England and the Empire-Commonwealth (4th ed. 1961), as quoted by Gerald P. Moran, "Private Colleges; The Federal Tax System and Its Impact," The Center for the Study of Higher Education, The University of Toledo (1977), p. 11.

> relief or redemption of prisoners or captives and for aid or ease of any poor inhabitations concerning payments of fifteens, setting out of soldiers and other taxes.[11]
>
> The Statute of Charitable Uses is held to be part of our own common law heritage, and the United States Supreme Court has referred to the Statute of Charitable Uses in various cases dealing with charitable trusts and tax exempt organizations.[12]
>
> The Statute of Charitable Uses was the first major effort at government regulation of charitable organization which continues in the United States through the principal medium of the Federal Tax System. Compare the list of activities considered to be charitable under the Statute of Charitable Uses with the regulations under the IRC par, 501(c)(3).[13]

As the colonists left Europe to escape from severe religious oppression, they brought with them the ideas which comprise the charitable legal tradition of the Statute of Charitable Uses.

> The United States Supreme Court recently noted the importance of this common law tradition in Walz V. Tax Commission of the City of New York, 397 U.S. 664 (1970). In Walz, the supreme court held

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[11] STAT. 43 ELIZ. I,c. 4 (1601), as quoted by Gerald P. Moran, "Private Colleges; The Federal Tax System and Its Impact," *The Center for the Study of Higher Education, The University of Toledo* (1977), p. 12.

[12] A. Scott, *The Law of Trusts* (3d ed. 1967), as quoted by Gerald P. Moran, "Private Colleges; The Federal Tax System and Its Impact," *The Center for the Study of Higher Education, The University of Toledo* (1977), p. 12.

[13] M. Fremont-Smith, *Foundations and Government* (1965), as quoted by Gerald P. Moran, "Private Colleges: The Federal Tax System and Its Impact," *The Center for the Study of Higher Education, The University of Toledo* (1977), p. 13.

> that the state tax exemption for property owned by religious organizations did not violate the 'establishment' clause of the first amendment. In so holding the court reasoned that: All of the fifty states provide for tax exemption of the places of worship, most of them doing so by constitutional guarantees. For so long as federal income taxes have had any potential impact on churches over 75 years, religious organizations have been expressly exempt from the tax. Such treatment is an 'aid' to churches no more and no less in principal than the real estate tax exemption granted by the states. Few concepts are more deeply embedded in the fabric of our national life, beginning with pre-revolutionary colonial times, then for the government to exercise at the very least this kind of benevolent neutrality toward churches and religions exercise generally so long as none was favored over others and none suffered interference.[14]

Thus, the early law tradition concerning religious institutions, education, and charity has developed into a modern day concept concerning what charity, education, and religion legally are, and what if any preferential treatment such organizations should receive from the government.

> Accordingly, organizations established for the purpose of providing educational, religious and charitable services have always been granted certain advantages such as tax exemption in the United States. The first income tax law passed by the United States Congress was in 1861 as an effort to finance portions of the cost of the Civil War.[15]

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[14] 397 U.S. 664 (1970), as quoted by Gerald P. Moran, "Private Colleges: The Federal Tax System and Its Impact," The Center for the Study of Higher Education, The University of Toledo (1977), p. 13.

[15] Act of August 5, 1861, ch. 45, par. 1-58, 12 Stat. p. 292-313. Ibid., p. 15.

> It was not until 1864 that an amendment exempted from tax 'managers of a charitable, benovolent or religious association' if they filed and proved to the satisfaction of the local collector of taxation that the profits would be applied to the 'relief of the sick and wounded soldiers, or to some other charitable use.[16]

The income tax act of 1894 specifically provided for exemption from income taxation of "corporations, companies or associations organized and conducted solely for charitable, religious or educational purposes."[17] "This exemption provision of the 1894 income tax act did not become effective since the income tax amendment was held to be unconstitutional."[18]

The Corporation Excise Tax Act of 1909 and the Income Tax Act of 1913 specifically exempted certain types of organization from income tax.

> Corporations or associations organized and operated exclusively for religious, charitable or educational purposes, no part of the net income of which inured to the benefit of any private stockholder or individual.[19]

In 1917, the need for tax revenue was felt severely due to government military spending during World War I. The federal government increased individual income tax rates, but added to the tax law the deduction for individuals' contributions to charity. The reason the charitable contributions deduction was allowed was that the government was concerned that the increase in income tax rates would reduce the amount of contributions that individuals would make to charitable and educational organizations.[20]

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[16] Act of June 30, 1864, ch 173, par. 111, 13 Stat p. 279. Ibid.

[17] Act of August 27, 1894, ch. 349, par. 32, 28 Stat 556. Ibid.

[18] Pollock v. Farmer's Loan & Trust Co., 157 U.S. 429 (1894), Ibid.

[19] Act of August 5, 1909, ch. 6. par. 38, 36 Stat 113. Ibid.

[20] U. S. Senate, Committee on Finance, Treasury Dept. Report on Private Foundations (February, 1965), Committee Print, 89th Congress, 1st Session, p. 12.

By the first World War, New York State had already allowed property tax exemptions to many organizations established for non-profit goals. Among the organizations allowed the property tax exemption were missionary societies, fraternal organizations, academies of music, and various educational facilities.[21]

Due to the broad language formulations of the early exemption-granting statutes, many tax-exempt organizations began taking advantage of the law and began to operate profitable businesses on a tax-free basis. "They were abetted by a Supreme Court ruling in 1924 that the destination or ultimate use and not the source of income was the final test of the right of exemption."[22]

> The Revenue Act of 1950 by and large closed this faucet to some types of tax-exempt organizations by subjecting their 'unrelated business income' to tax and by imposing reporting requirements. But churches (including religious orders and associations of churches), civic leagues, fraternal and employees' beneficiary associations, social clubs, and a few other types of tax-exempt organizations were not covered by this act. Until the 1969 act became effective, they could regularly conduct or own almost any kind of commercial activity on an income-tax-free basis.[23]
>
> As of 1970, tax-exempt organizations not usually construed as commercial enterprises generally are allowed to operate trades or businesses and retain any profits therefrom, provided that these trades or businesses further the exempt purpose of the organization other than through production of income.[24]

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[21] State of New York, Interim Report of the Joint Legislative Committee to Study and Investigate Real Property Tax Exemptions (December, 1969), pp. 6-7.

[22] U.S. Tax Cases, Para. 88, Treasury Decisions 3548 111-2 Cumulative Bulletin 270 (1924).

[23] Commerce Clearing House, Inc. The Tax Exempt Organization: A Practical Guide (Chicago: 1969), Para 2402; Explanation of the 1969 Tax Reform Act (Chicago: 1970), Para. 1247.

[24] Ibid.

Thus, the development of laws relating to tax-exempt organizations have followed a pattern in which governments have exempted organizations from income tax if the organization provided some type of socially valuable service. It has also been found that most tax-exempt organizations provide little revenue for the government and in most cases barely break-even. The basic reason for granting charitable and educational organizations tax exemption has always been based on our common law heritage. In fact, Congress has seldom expressed a rationale for the exemption of certain charitable and educational organizations, but has mainly responded to combating abuses involving tax avoidance by quasi-non-profit organizations. A former member of the House Ways and Means Committee, Thomas B. Curtis, expressed the following views on why non-profit organizations are allowed preferential tax treatment:

> To remove exemptions written into the federal income tax law at its inception seems, at first blush, to be a movement toward tax neutrality. However, it takes on a different hue when one considers some of the arguments for it. A tax exemption is alleged to be a way of getting around the authorization - appropriation process of the Congress - the way to avoid taking up directly an expenditure program. This argument would be meritorious if a tax exemption were granted for an endeavor for which Congress had not made an expenditure policy decision. However, once the governmental policy has been made to see that more hospitals are built, the choice becomes one of whether hospitals are built more efficiently and to best meet the needs in kind and by geography through governmental or through private and local action. Certainly it seems appropriate for tax writers to take this governmental expenditure decision into account and to say we will not seek to get taxes to support this program from monies being spent privately for this same purpose.[25]

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[25] Curtis, It Depends Upon How You Look at It, In Tax Impacts On Philanthropy (1972), pp. 217-218.

CRITERIA FOR EXEMPT STATUS

An organization described in subsection (c) or (d) of section 501 of the Internal Revenue Code (IRC) is exempt from taxation if that organization meets certain criteria set forth in these sections and does not fall within the scope of sections 502 and 503 relating to feeder organizations or prohibited transactions. Section 501(c)(3) of the IRC set forth the following organizational types that possess the characteristics required for tax exemption.

> Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, (except as otherwise provided in subsection (h), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.[26]

Within the broader requirements of section 501 are specific organizational tests and operational tests with which a tax-exempt organization must comply in order to maintain their tax exempt status. The organizational tests include such requirements as: the organization must be established for an exempt purpose and the articles of organization (e.g., the trust instrument, corporate charter, articles of association or other written instrument by which the organization is created) (i) must limit its purposes to one or more of the purposes specified in 501 (c)(3), and (ii) do not expressly empower the organization to engage, except to an insubstantial extent, in activities which do not further its exempt purposes.

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[26] Tax Regulations, para. 1.501(c)(3)-1(b)(1)(i).

Another organizational test required of tax exempt organizations is that the assets of the organization be dedicated to the exempt purposes as outlined in section 501(c)(3). "This requirement will be satisfied if, upon dissolution of the organization, the assets will, pursuant to the governing instrument or by operation of law: (i) be distributed for one or more 501(c)(3) purposes; (ii) be distributed to the Federal Government or a state or local government for a public purpose; or (iii) be distributed for comparable purposes pursuant to court order."[27]

In addition to meeting organizational tests, tax-exempt organizations must meet certain operational tests. Similar to the organizational test that an exempt organization be organized exclusively for 501(c)(3) purposes is the operational test that requires exempt organizations to operate exclusively for exempt purposes. "Regulation 1.501(c)(3)-1(c)(1) mitigates the strict requirements of 501(c)(3), by providing that an organization will be regarded as operated exclusively for 501(c)(3) purposes, if it "engages primarily" in activities which accomplish its exempt purposes; an organization will not be so regarded, however, if more than an insubstantial part of its activities is not in furtherance of such exempt purposes."[28] Regulation 1.501(c)(3)-(b)(6) states that an organization will not meet the operational test if any part of its "net earnings inure, in whole or in part, to the benefit of a private shareholder or individual. Also, regulation 1.501(c)(3)-1(c)(3) states that an organization will not meet the operational test if its lobbying or campaigning activities establish it to be an "action organization". An organization will be deemed to be an action organization if a substantion portion of its activities constitute the influencing of legislation, (e.g., contacting legislative members in an effort to influence certain legislation which the exempt organization is opposed to or in support of). An organization will also be regarded as an action organization if it "participates or intervenes, directly or indirectly" in any political campaign for the benefit of a candidate for public office.

> An organization will also constitute an action organization if it has the following two characteristics: (i) its main or primary objectives may be obtained only by legislation (or the

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[27] 1976 Tax Management Inc., A Division of The Bureau of National Affairs, Inc. P. A-3.

[28] Ibid.

> defeat of proposed legislation), and (ii) it advocates or campaigns for the attainment of such objectives. An organization is permitted, however, to engage in nonpartisal analysis, study, or research in connection with subjects which are the topic of legislation and to make the results available to the general public.[29]

Once an organization has met the several requirements of 501(c)(3), it must then be established that the organization is in fact the type of organization it represents itself to be. In the case of a college or university, there are specific characteristics that these organizations must meet in order to establish an educational purpose for tax exempt qualification.

Regulation 1.501(c)(3)-1(d)(3)(i) defines "educational" as "the instruction or training of the individual for the purpose of improving or developing his capabilities, or the instruction of the public on subjects useful to the individual and beneficial to the community". The regulation goes on to state that "an organization may be educational, even though it advocates a particular position, so long as it presents a sufficiently full and fair exposition of the pertinent facts to permit an individual or the public to form an independent opinion or conclusion. An organization may not be educational, however, if its principal function is the mere presentation of unsupported opinion."

Educational organizations include schools having a regularly scheduled curriculum, a regular faculty, a student body in attendance at the place where the educational activities are carried on, organizations which present public discussion groups, lectures, correspondence schools, organizations which present instruction on television or radio, museums, zoos, planetariums, symphony orchestras, and other similar organizations.[30]

Clearly, the laws relating to educational tax-exempt organizations are broad enough so that nearly any form of college or university will meet the minimum characteristics requirements. With higher education expanding into such diverse areas as classrooms on wheels (Adelphi University's M.B.A. in conjunction with the LIRR), correspondence course work, and universities without walls, it becomes increasingly important that the law be flexible enough to include all legitimate modern variations of a college and university education.

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[29] Ibid., p. A-4.

[30] Tax Regulations, 1.501(c)(3)-1(d)(3)(ii).

> Despite the lofty language of the regulations, a broad variety or organizations have been found to constitute educational organizations where they provided instruction on topics of interest or served as an adjunct to another educational organization.[31]

In order for educators to be able to determine if certain investments in a wide variety of non-traditional college level courses would permit the college or university to keep its tax exempt status, it was necessary for the Internal Revenue Service to stipulate through revenue rulings what types of courses would qualify. The following are a sample of various courses that were deemed to be of a sufficiently educational nature to qualify for tax exemption: non-profit organizations conducting classes in painless child-birth;[32] courses offered to provide educational material on marital adjustment and marriage counseling;[33] garden clubs for amateur gardeners, through which instruction in gardening procedures and conservation were made available and where public flower shows of a noncommercial nature were sponsored by the college or university;[34] gem and mineral clubs were held to qualify as educational if the club held meetings at least once every month, lectures, and periodic field trips, maintained a library, and published a bulletin, all related to minerology and lapidary;[35] finally, courses which provided training in sailboat racing, safety standards, and first aid have also been ruled to be of an educational nature.[36]

Organizations other than colleges and universities which advance the interests of the college or university have in the past qualified as educational organizations. Thus, alumni associations, which were not operated as an integral part of the university but provided incidental local and recreational activities, were found to be educational if they raised funds for the university, made awards, scholarships and loans, assisted in reunions and home-coming activities, and performed similar functions. "It is the position of the Service, however, that alumni associations generally do not constitute 501(c)(3) educational organizations, except where the association is controlled by or is operated as an integral part of an educational institution, or otherwise shows a substantial integration with such an institution."[37]

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[31] 1976 Tax Management Inc., A Division of The Bureau of National Affairs, Inc. p. A-6.

[32] Revenue Ruling, 66-255, 1966-2 C.B.210.

[33] Revenue Ruling, 7--640, 1970-2 C.B.117.

[34] Revenue Ruling, 66-179, 1966-1 C.B. 139.

[35] Revenue Ruling, 67-139, 1967 - C.B. 129.

[36] Revenue Ruling, 64-275, 1964-2 C.B. 142.

Other college and university related organizations which have qualified for educational tax exemptions are college stores, which sell new and used textbooks and school supplies to students and faculty, where none of the profits inure to private individuals.[38] Also corporations formed to publish the law review for a law school have been ruled to be exempt from tax if the corporate purpose is to train students in legal writing and research, and the sale of the publication is incidental to the corporation's teaching function.[39]

Section 501 (f)(IRC) provides tax exemption to those organizations that qualify as cooperative educational investment organizations. That is, schools and organizations which administer property for the benefit of governmental colleges and universities. The organization must be controlled and organized by the college or university. Also, the investment organization must be operated solely to hold and commingle the monies contributed by the college and universities, and must invest the money in stocks and securities.

APPLICATION FOR EXEMPT STATUS

Due to the changes enacted by the Tax Reform Act of 1969, all tax exempt organizations organized subsequent to October 9, 1969 must file an application for tax exempt status with the District Director for the key district in which the organization is located. It is to the advantage of educational organizations to obtain recognition from the Internal Revenue Service of their tax exempt status for several reasons. First, the organization may establish its eligibility for exemption from miscellaneous tax and non-tax benefits and avoid possible penalties and interest charges if the organization is deemed taxable and has not paid taxes in the past. Second, it is important that formal recognition of a college or university's exempt status be obtained so that the organizations may establish their eligibility to receive tax deductible contributions. (IRC170(c)). After the college or university is declared exempt by the IRS, their official tax exempt status will be published in the official Internal Revenue Service Publication #78, which is used by taxpayers and foundations in determining who are eligible to receive deductible contributions. Although there are advantages in applying for tax exempt status, some colleges and universities may feel that the costs of filing an application for exempt status are too high. In these cases the Tax Commissioner is authorized to make exceptions if it is felt that the application procedure is not necessary.

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[37] Revenue Ruling, 60-143, 1960-1 C.B. 192; Revenue Ruling 56-486, 1956-2 C.B. 309.

[38] Revenue Ruling, 69-538, 1969-2 C.B. 116; Revenue Ruling 58-194, 1958-1 C.B. 240.

[39] Revenue Ruling, 63-235, 1963-2 C.B. 210.

> The Commissioner, in addition, is expressly authorized to provide for further exceptions for: (i) educational organizations which normally maintain a regular faculty and curriculum and normally have regularly enrolled body of pupils or students in attendance at the place where the educational activities are regularly carried on.[40]

PROCEDURES IN APPLYING FOR EXEMPT STATUS

When to Apply

Colleges and universities organized after October 9, 1969, should file for their exemption from tax within 15 months from the end of the month in which they were organized.[41] The need to file a timely application for exemption is great since any gift or bequests made to the college or university during the period for which the organization was not declared to be an exempt organization will be deemed to be non-deductible under section (IRC 170(c)). The application for exemption should be made by filing form 1023, "Application for Recognition of Exemption", to the local Internal Revenue District Director.

In some cases, the college or university might find it advantageous to request a determination letter from the Internal Revenue Service before the organization is in the operational stage. The reason for this is that the organization would be able to determine if its organizational structure and operational plan are in agreement with the requirements for tax exempt status before money and time are devoted to efforts that may later prove to be futile.

> Exempt status will be recognized in advance of operations, if the proposed operations can be described in sufficient detail to permit the Service to

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[40] Section 508(c) Internal Revenue Code, and Regulation 1.508-1(a)(3)(i)(e) Tax.

[41] Regulation 1.508-1(a)(2)(i).

> conclude that the organization will clearly meet the applicable requirements of the Code. For this purpose, a mere restatement of the purposes of the organization, or a statement that the proposed activities will be in furtherance of such purposes, is not sufficient. The organization must fully describe the activities in which it expects to engage, including the standards, criteria, procedures, or other means adopted or planned for carrying out the activities, the anticipated sources of receipts, and the nature of contemplated expenditures.[42]

Necessary Application Forms

As mentioned previously, organizations formed for religious, charitable, scientific, educational, and like purposes must file form 1023, "Application for Recognition of Exemption." Form 1023 is a comprehensive 13-page document that is both an application for recognition of exempt status under 501(c)(3) and a notification as to whether the organization constitutes a public or private foundation under section 509(a)IRC. In addition to form 1023, any organization which is required to file a tax return, statement, or other document (including an exemption application) with the Internal Revenue Service is required to file form SS-4. "Application for Employer Identification purposes similar to the Social Security number the service maintains for individuals.[43] Since most dealings between the college or university and the Internal Revenue Service will be conducted by a representative of the organization seeking tax exempt status, the organization must submit with the exemption application form 2848, "power of Attorney." "Generally, the representative must constitute: (i) an attorney who is a member in good standing of the bar, (ii) a certified public accountant, or (iii) a person who is currently enrolled to practice before the Service."[44] Form 2848 authorizes the Internal Revenue Service to forward all notices and communications regarding the organization to the designated representative.

In addition to the requirements for completion of certain forms, there is also the need to submit other information to the IRS. Every application for exemption must be accompanied by a copy of the organization's governing instrument (e.g., the articles of incorporation, declaration of trust, or other instrument of similar import), a conformed copy of the by-laws, and in some cases a conformed copy of the organization's latest financial statements.[45] With the exemption application, Form SS-4, Form 2848, and the necessary conformed copies of organization documents, a cover letter should be forwarded to the IRS, whose purpose is to request a conference appointment in the event that the organization were to receive an adverse determination.

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[42] Revenue Procedure 72-4, 1972-1C.B. 706.

[43] Internal Revenue Code, Section 6109(a)(i).

[44] Tax Regulation 601, 201(e)(6).

> In addition to the information requested by the prescribed forms and their instructions and by the regulations, the Commissioner is authorized to require any additional information deemed necessary for a proper determination of whether a particular organization is exempt under 501(a).[46]

Other Filing Requirements

In addition to the material required for the initial application for exempt status, there are various annual information returns that must be filed with the IRS by exempt organization. Colleges and universities must file Form 990 and Form 990, Schedule A. Exempt colleges and universities must file all returns and reports relating to employee wage payments and withholding taxes, plus all information regarding employee retirement plans.

Form 990, "Return of Organization Exempt From Income Tax," is an annual return that must be filed by the 15th day of the 5th month following the close of the organization's accounting period. The information requested on this return is: revenues received by the organization, expenses and disbursements, total assets and total liabilities (net worth), various questions relating to the organizations operational plan and organizational structure, and a complete itemization of organizational expenses, and a comparative balance sheet showing the college or universities financial position at the close of the current year and at the end of the previous reporting period.

Along with Form 990, colleges and universities must file a supplementary information return, "Form 990 Schedule A," which requests the following information: a list of officers, directors, and trustees of the college or university; name and address, title and time devoted to position; compensation, contributions to employee benefit plans, expense account and other allowances pertaining to all officers, directors, and trustees. Other information required by Form 990 Schedule A, are: the compensation of the five highest paid employees; the compensation of the five highest paid persons who provide the college or university with professional services; responses to questions concerning political involvement by the organization, responses to questions involving prohibited transactions; responses to questions relating to the organization's unrelated business income; responses to questions concerning various forms of revenues received by the organization such as gifts, grants, membership fees, tuition, and finally, completion of a separate section requiring information relating to schools:

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[45] Instructions for IRS Form 1023, Rev. Proc. 72-41, 1972-2C.B. 820; Regs. 1.501(a)-1(a)(3).

[46] Tax Regulation 1.501(a)-1(b)(2).

> 1. Do you have a racially nondiscriminatory policy as to students by statement in your charter, by laws, other governing instrument, or in a resolution of your governing body?
> 2. Do you include a statement of your racially nondiscriminatory policy as to students in all your brochures, catalogues, and other written communications with the public dealing with student admissions, progress, and scholarships?
> 3. Have you publicized your racially nondiscriminatory policy by newspaper or broadcast media during the period of solicitation for students or, in the absence of such solicitation program, during the registration period in a manner that makes such policy known to all segments of the general community served by you?
> 4. Do you maintain the following:
>   (a) Records indicating the racial composition of the student body, faculty, and administrative staff?
>   (b) Records sufficient to document that scholarships and other financial assistance is awarded on a racially nondiscriminatory basis?
>   (c) Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?
>   (d) Copies of all material used by you or on your behalf to solicit contributions?
> 5. Do you discriminate in any way on the basis of race with respect to:
>   (a) Students' rights or privileges?
>   (b) Admissions policies?

(c) Employment of faculty or administrative staff?
(d) Scholarships or other financial assistance?
(e) Educational policies?
(f) Use of facilities?
(g) Athletic programs?
(h) Other extra-curricular activities?
6. Do you receive any financial aid or assistance from a governmental agency?
7. Has your right to such aid ever been revoked or suspended?[47]

Thus, it can be seen that the filing requirements expected of 501(c)(3) exempt organizations are used to insure that the college, university, or other organization maintains the necessary characteristics of an exempt organization in both appearance and reality. As can be ascertained by the information required by Form 990 and Form 990 Schedule A, it is difficult for any colleges or universities to pass the 501(c)(3) requirements if in fact they do not qualify as an exempt organization.

State Requirements For Tax Exempt Organizations

Most states require non-profit organizations to organize in the form of corporations or trusts. The non-profit organization will file a formal certificate of incorporation or a formal trust instrument with the state Secretary of State (corporations), or the State Attorney General (trusts). The Certificate of Incorporation, and the Declaration of Trust contain the basic provisions required by state law, and also contain information regarding the organizational purposes, the powers attributable to the organization, and the means by which the organization would be dissolved if this is necessary in the future.

Non-profit organizations may also be organized as associations. The advantages to this type of organizational form is that a formal governing instrument is usually not necessary; such organizations are not usually covered by state non-profit corporation acts or state trust laws. On the other hand, the lack of state legal stature and the abbreviated limitations on associations' powers could also be a disadvantage to a non-profit organization that is poorly managed.

> Association status may be advisable in the case of local units of a central parent organization, where a uniform governing instrument (not varying with

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[47] Schedule A (Form 990), Organizations Exempt Under 501(c)(3) 1976 p. 4, part VI.

> the vagaries of local law) is desirable and the parent organization itself can define the functions and operations of the local units and resolve internal organizational disputes.[48]
>
> With the exception of Delaware and Maryland, all states and the District of Columbia have now enacted non-profit corporation acts or a body of provisions specifically governing non-profit charitable and related organizations. Many states have adopted, in whole or in part, the Model Non-profit Corporation Act, drafted by the Committee on Corporate Laws of the A.B.A. in 1952 and last revised in 1964. The Model Act and the particular state acts are substantially similar to the business corporation acts, except that there is generally no provision for stock, there are members rather than shareholders, the corporation must be formed for limited charitable and related purposes and, upon dissolution (whether voluntary or involuntary), the assets will generally be distributed for charitable and related purposes.[49]

The initial registration requirements and annual reporting requirements of non-profit organizations (colleges and universities) are different in most states. New York and California, unlike many other states, require non-profit organizations to register with state authorities. In other states, the registration as a non-profit organization is made effective through the filing of the organization's certificate of incorporation.

With respect to annual reporting requirements, most states require little or no annual reporting information from non-profit organizations. States such as New York, California, Illinois, and Michigan require any legal entity (corporation, trust, association, or individual) that holds property for 501(c)(3) purposes to file periodic reports.

In addition, most states have adopted the Model Solicitation of Charitable Funds Act which requires charitable, educational, and similar organizations which intend to solicit contributions to register with the proper state authorities. Annual registration is required by most states, but certain exceptions are provided for state-regulated educational institutions.

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[48] 1976 Tax Management Inc., A Division of the Bureau of National Affairs, Inc., p. A-58, para. 2.

[49] *Ibid*., para. 3.

FEEDER ORGANIZATIONS AND UNRELATED BUSINESS INCOME

Before the enactment of the Revenue Act of 1950, Code Sections 511 through 515 relating to feeder organizations and unrelated business taxable income did not exist. It was only after abuses by tax exempt organizations were disclosed to Congress that the loopholes in the law were gradually closed. During the period prior to the 1950 Revenue Act, non-profit tax exempt organizations were involved in a large range of businesses that were not related to the purpose or function for which the organizations were originally allowed exemption from tax. It was found that one university was engaged in a profitable food manufacturing business. In another case, a textile operation was granted status as a tax exempt foundation. In still another case, a tax exempt institution was found to own a large department store chain. Many other exempt organizations were using the shield of tax exemption to reinvest profits tax free into unrelated business operations such as citrus groves, haberdasheries, movies, cattle ranches, encyclopedias, and a wide variety of other operations.[50] The federal government estimated that it was losing $173 million dollars each year through the loss of tax revenues not collected from these unrelated businesses.[51]

The problem which finally moved Congress to enact a tax on unrelated business income was that exempt organizations engaged in such businesses were given an unfair advantage over their competition. While most businesses had to operate efficiently to make a profit to meet operating costs, federal and local taxes, and still have profits left over to make their investment worthwhile, exempt organizations were not faced with many of these constraints. All profits made by an exempt organization above operating costs could be reinvested back into the unrelated business. Congress wanted to make the tax imposed on unrelated business income equal to the tax imposed on any other corporation's taxable income. Thus, with the passage of the Revenue Act of 1950, Congress broke through the tax exemption shield that was protecting such organizations' business ventures from paying tax.

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[50] The Tax On Unrelated Business Income, Commerce Clearing House Inc., 1975, para. 1.

[51] Congressional Record, Vol. 96, part 7, pp. 9273-9274.

The topics of feeder organizations and unrelated business income are closely interrelated. A feeder organization is the type of organization that will produce unrelated business income for a college or university. A feeder organization is defined in section 502 of the Internal Revenue Code as follows:

> An organization operated for the primary purpose of carrying on a trade or business for profit shall not be exempt from taxation under section 501 on the ground that all of its profits are payable to one or more organizations exempt from taxation under section 501.

Thus, in a roundabout way the Code states that a feeder organization is a trade or business established by a college or university for the purpose of making a profit. The trade or business does not have any of the characteristics necessary to qualify as a 501(c)(3) exempt organization, and the only relationship between the college or university and the trade or business is that the business provides income that is payable to the college or university. Section 1.502-1(a) of the Income Tax Regulations goes further in explaining what determines the purpose of the trade or business established by the college or university.

> In determining the primary purpose of an organization, all the circumstances must be considered, including the size and extent of the trade or business and the size and extent of those activities which are specified in the applicable paragraph of section 501.

Section 1.502-1(b) of the Income Tax Regulations explains that the IRS must look through external appearances and determine the true relationship between the college or university and the trade or business it has established. In certain situations, accounting methods might cause a business which is an integral component of a college or university to show a profit from its dealings with the college or university, but if the business is to qualify for exemption under 501(c)(3), the IRS must look past the profits and determine the true relationship. Regulation 1.502-1(b) gives the following situation as an example:

> A subsidiary organization which is operated for the sole purpose of furnishing electric power used by its parent organization, a tax-exempt educational organization in carrying on its educational activities would be exempt from tax. However, the subsidiary organization is not exempt from tax if it is operated for the primary purpose of carrying on a trade or business

> which would be an unrelated trade or business (that is, unrelated to exempt activities) if regularly carried on by the parent organization. For example, if a subsidiary organization is operated primarily for the purpose of furnishing electric power to consumers other than its parent organization (and the parents' tax-exempt subsidiary organizations), it is not exempt since such business would be an unrelated trade or business if regularly carried on by the parent organization.

Section 1.502-1(d)(2) of the Regulations explains that after December 31, 1969, the following types of trade or business organizations will not be classified as feeder organizations:

> (i) The deriving of rents described in section 512(b)(3)(a), (ii) Any trade or business in which substantially all the work in carrying on such trade or business is performed for the organization without compensation, or (iii) Any trade or business (such as a "thrift-shop") which consists of the selling of merchandise, substantially all of which has been received by the organization as gifts or contributions.

Unrelated Business Taxable Income:

Section 512(a)(1) of the Internal Revenue Code defines unrelated business taxable income as follows:

> Except as otherwise provided in this subsection, the term 'unrelated business taxable income' means the gross income derived by any organization from any unrelated trade or business regularly carried on by it, less the deductions allowed by this chapter which are directly connected with the carrying on of such trade or business, both computed with the modifications referred to in subsection (b)
> (b) Modifications - The modifications referred to in subsection (a) are the following:
> (1) There shall be excluded all dividends, interest, and annuities, and all deductions directly connected with such income.
> (2) There shall be excluded all royalties (including overriding royalties) whether measured by production

or by gross or taxable income from the property, and all deductions directly connected with such income.
(3) In the case of rents -
(A) Except as provided in subparagraph (B) there shall be excluded - (i) All rents from real property and (ii) All rents from personal property leased with such real property, if the rents attributable to such personal property are an incidental amount of the total rents received or accrued under the lease, determined at the time the personal property is placed in service.
(5) There shall be excluded all gains or losses from the sale, exchange, or other disposition of property other than - (A) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, or
(B) Property held primarily for sale to customers in the ordinary course of the trade or business. There shall also be excluded all gains on the lapse or termination of options, written by the organization in connection with its investment activities, to buy or sell securities.
(7) There shall be excluded all income derived from research for (A) the United States, or any of its instrumentalities, or (B) any state or political subdivision thereof; and there shall be excluded all deductions directly connected with such income.
(8) In the case of a college, university, or hospital, there shall be excluded all income derived from research performed for any person, and all deductions directly connected with such income.
(9) In the case of an organization operated primarily for purposes of carrying on fundamental research the results of which are freely available to the general public, there shall be excluded all income derived from research performed for any person, and all deductions directly connected with such income.
(10) In the case of any organization described in section 511(a), the deduction allowed by section 170 relating to charitable etc. contributions and gifts shall be allowed (whether or

> not directly connected with the carrying on of the trade or business), but shall not exceed 5 percent of the unrelated business taxable income computed without the benefit of this paragraph.

The tax on an exempt organization's unrelated business taxable income is levied in a similar manner to the tax imposed on the taxable income produced on a yearly basis by non-exempt business corporations. Specifically, the tax is computed on the basis of a normal tax and a surtax. The normal tax rate is 22 percent of the unrelated business taxable income of an exempt organization, for tax years ending after December 31, 1977. The surtax is an additional 26 percent of the unrelated taxable income produced by an exempt organization after December 31, 1977 which is in excess of $25,000. That is, the maximum tax rate on an organization's unrelated business taxable income is 48 percent, consisting of 22 percent of income up to $25,000, and an additional 26 percent on that income in excess of $25,000.

The following organizations are specifically designated as subject to this tax are identified in section 511(2)(A)(B) of the Internal Revenue Code:

> Organizations described in section 401(a) and 501(c) - The taxes imposed by paragraph (1) shall apply in the case of any organization (other than a trust described in subsection (b) or an organization described in section 501(c)(1) which is exempt, (corporations organized under act of Congress, if such corporations are instrumentalities of the United States and if, under such act, as amended and supplemented, such corporations are exempt from federal income tax), except as provided in this part or part II (relating to private foundations), from taxation under this subtitle by reason of section 501(a).
> (B) State colleges and universities. - The taxes imposed by paragraph (1) shall apply in the case of any college or university which is an agency or instrumentality of any government or any political subdivision thereof, or by any agency or instrumentality of one or more governments or political subdivisions. Such taxes shall also apply in the case of any corporation wholly owned by one or more such colleges or universities.

As was discussed earlier, there is a strong similarity in the wording of the law regarding feeder organizations presented in section 502 (IRC) and unrelated trades or businesses as outlined in section 513(a)(IRC). Section 513 (a)(1)(2)(3) defines an unrelated trade or business:

> The term 'unrelated trade or business' means, in the case of any trade or business the conduct of which is not substantially related (aside from the need of such organization for income or funds or the use it makes of the profits derived) to the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501(c) or, in the case of an organization described in Section 511(a)(2)(B), to the exercise or performance of any purpose or function described in section 501(c)(3), except that such term does not include any trade or business -
> (1) in which substantially all work in carrying on such trade or business is performed for the organization without compensation; or
> (2) which is carried on, in the case of an organization described in section 501(c)(3) or in the case of a college or university described in section 511 (a)(2)(B), by the organization primarily for the convenience of its members, students, patients, officers, or employees, or, in the case of a local association of employees described in section 501(c)(4) organized before May 27, 1969, which is the selling by the organization of items of work-related clothes and equipment and items normally sold through vending machines, through food dispensing facilities, or by snack bars, for the convenience of its members at their usual places of employment; or
> (3) which is the selling of merchandise, substantially all of which has been received by the organization as gifts or contributions.

In order that the difference between unrelated business income and related business income can be made readily apparent, the following examples are presented.

Examples of unrelated business income:

1. Operation on a commercial basis of a cinder block plant and a radio station by a college or university.[52]
2. Operation on a commercial basis of a television station by a college or university.[53]
3. Sale of "call" options held by a college or university in their investment portfolio.[54]
4. The sale of membership mailing lists by a college or university.[55]
5. Sale of articles made by non-students by a vocational school.[56]

Examples of related business income:

1. Operation of an annual football game by a college or university.[57]
2. Sale of articles made by its students by a vocational school.[58]
3. Income received by a college or university from its on campus book store.

PROHIBITED TRANSACTIONS - (DISCRIMINATION)

Racial discrimination by a college or university is expressly prohibited by law and is reasonable grounds for the loss of an organization's tax-exempt status. The issue of racial discrimination and tax-exempt status is an outgrowth of the legislative developments that emerged as part of the civil rights movement ofthe 1960's. As the intent of congress was passed on to other governmental agencies, it was not long before the Internal Revenue Service began to apply pressure on organizations that did not comply with the law.

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[52] Revenue Ruling, 55-676, 1955-2 C.B. 66.

[53] Iowa State University of Science and Technology, (ct. cls) 74-2 USTC para. 9590.

[54] Revenue Ruling 66-47, 1966-1 C.B. 149.

[55] Revenue Ruling 68-550, 1968-2 C.B. 249.

[56] Revenue Ruling 68-581, 1968-2 C.B. 250.

[57] Mobile Arts & Sports Association, Inc., (DC) 57-1 USTC para. 9359, 148 Supp. 311.

[58] Revenue Ruling 68-581, 1968-2 C.B. 250.

"The Internal Revenue Service announced that it had generally concluded that a private non-profit school would not be exempt (and contributions to it would not be deductible) if the school were operated on a racially segregated basis and sufficient 'state action' were involved."[59]

As the Internal Revenue Service began to apply pressure on tax-exempt colleges and universities in an effort to make these organizations halt their discriminatory practices, numerous court decisions emerged.

> In 1969, in the case of Green v. Kennedy, black tax payers and their minor children who attended public schools in Mississippi brought a class action in the district court for the District of Columbia to enjoin the Service from granting tax-exempt status to private schools in Mississippi which practiced discriminatory admissions policies; plaintiffs claimed that paragraph 170 (IRC Contributions) and paragraph 501 (IRC-Tax-exempt organizations) violated the Constitution and the Civil Rights Act of 1964, to the extent that they supported segregated private schools through tax benefits.[60]

Although the case of Green v. Kennedy did not specifically involve a college or university, the impact from this case would be felt by all eleemosynary organizations. The outcome of Green v. Kennedy was that the court rejected the Internal Revenues view that the exempt status of a private segregated school could be denied only when there "was a showing of state action under the Fourteenth Amendment", and favored the plaintiffs' view that the tax benefits could be a violation of the Fifth Amendment.[61]

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[59] Internal Revenue Service News Release, August 2, 1967, 1967 Commerce Clearing House Federal Tax Reporter, Vol. 7. para. 6734.

[60] Green v. Kennedy, 309 F. Supp. 1127 (DDC 1970).

[61] Ibid.

In a subsequent case, Green v. Connally, the court considered the plaintiff's request for a permanent injunction where tax benefits were provided for tax-exempt organizations involved in discriminatory practices.[62]

> In connection with the request for declaratory relief, the Court declared that paragraph 501(c)(3) does not provide tax-exemption for, and paragraph 170(IRC Contributions) does not provide deductions for contributions to, an organization operated for educational purposes, unless it has a racially nondiscriminatory policy to its students. The Court defined such policy to mean that the educational organization admits students of any race to all the rights, privileges, programs, and activities, generally accorded or made available to students at that school, including a policy of making no discrimination on the basis of race in administration of educational policies, applications for admission, scholarship and loan programs, and athletic and extra-curricular programs.[63]

The Court concluded in the case of Green v. Connally that the Internal Revenue Service could not continue to approve exempt status for private Mississippi schools or continue to allow such schools deductions for contributions, unless the schools adopted a nondiscriminatory policy. The Courts also requested that the schools publicize the fact that they observe a nondiscriminatory policy, and required all tax-exempt schools to provide the Internal Revenue Service with information relating to their racial policies.

As the Courts began to enforce nondiscriminatory practices by private schools, the Internal Revenue Service began to issue Revenue rulings which would persuade all schools that were exempt from tax to begin to see the benefits of following a nondiscriminatory policy.

> The Service issued Rev. Rul. 71-447, which modified its previous position with respect to private schools having discriminatory policies. The Service, in effect, ruled that a private school may not qualify for exemption under

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[62] Green v. Connally, 330 F. Supp. 1150 (DDC 1971).

[63] Ibid.

> 501(c)(3) if it does not have a racially nondiscriminatory policy as to student, irrespective of state involvement. In Rev. Rul. 75-231, the service ruled that schools operated by churches were encompassed by the nondiscriminatory policy. The Service recently issued Rev. Proc. 75-50, which sets forth extensive guidelines and recordkeeping requirements for determining whether private schools that have received or are applying for exemption determinations under paragraph 501(c)(3) have adopted and have adequately publicized nondiscriminatory policies as to students.[64]

In recent years two additional cases have shown that the Courts are serious in their efforts to make educational institutions practice nondiscriminatory policies. In Bob Jones University v. Simon, and Crenshaw County Private School Foundation v. Connally, the Courts considered whether these institutions could stop the Internal Revenue Service from terminating their tax-exempt status due to the school's policies of following discriminatory practices. The decision of the Courts in both cases was that a law suit could not be brought against the Internal Revenue Service "for the purpose of restraining the assessment or collection of any tax."[65]

Thus, the question of whether a tax-exempt institution can practice discrimination and still maintain its favorable tax-exempt status basically has been decided by the Courts. It is incomprehensible to expect minority tax payers to support colleges and universities through taxes and contributions, and have these same institutions bar minority students from attending the college or university of their preference. The common law heritage of tax exemption under section 501(c)(3) is based on the values of charity, morality, and brotherly equality. It would be hypocrisy if our government allowed tax exemptions to institutions that threatened our nations moral fiber.

TAX MECHANISMS AND BENEFITS

There are various tax benefits accruing to colleges and universities that come under the heading of 501(c)(3) organizations. The benefits are provided by federal, state, and local law, with many of the same benefits provided at all three levels. For example, if an organization qualifies for tax exemption under federal law, the tax exemption may automatically by allowed under state and local laws. Also, the organization can more readily establish its tax exempt status under state and local law when the exemption has already been approved by the federal government.

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[64] 1976 Tax Management Inc., A Division of the Bureau of National Affairs Inc., p. A-37.

[65] 416 U.S. 725 (1974), Aff'g 472 F. 2d 903 (4th Cir. 1973); 474 F. 2d 1185 (5th Cir. 1973); Cert. denied 94 S. Ct. 2604 (1974).

FEDERAL BENEFITS

The most obvious benefit provided by the federal government for 501(c)(3) organizations is the exemption from federal income tax. The only time income from a non-profit organization will be taxed is when the income is "unrelated business taxable income." Since most colleges and universities are experiencing financial difficulties in recent years, the exemption from tax often means the difference between the educational institution's meeting operating and overhead costs or closing for lack of funds. The benefit of not having to pay a tax on an organization's profits (tax rates for corporations are as high as 48 percent of profits), is in effect a source of revenue that could approach as much as 48 percent of an organization's profits. Although colleges and universities are considered to be non-profit organizations and would not really be in a position to be liable for a tax on profits, there have been periods of growth in education when the non-profitability of educational institutions was not always true. During the 1960's, when the children of the post World War II baby boom were of college age, the combination of the Vietnam War and a society demanding a more sophisticated work force had swelled the size of American college campuses to proportions never before known. With the increase in student enrollment, many colleges and universities were in actuality making a profit. With the combination of profits and the exemption from income tax provided by the federal government, the colleges and universities were able to build new dormitories, recreational facilities, and a vast array of libraries and other educational facilities. Now that the last of these children have finished their college training, most educational institutions are feeling the squeeze for funds to pay off loans that were needed to pay for the expansion of the sixties. Although colleges and universities are making less money, the fact that the profits they do realize are tax-exempt could help to finance a portion of the increasing costs of operating an educational facility.

CHARITABLE CONTRIBUTIONS DEDUCTIONS

Section 170 of the Internal Revenue Code allows both individuals and corporations to deduct contributions to qualifying organizations, which include institutions of higher education.

> Section 170(b):
> Individuals - In the case of an individual, the deduction provided in subsection (a) shall be limited as provided in the succeeding subparagraphs.
> (A) General Rule. - Any charitable contribution to - (ii) an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on shall be allowed to the extent that the aggregate of such contributions does not exceed 50 percent of the taxpayer's contribution base for the taxable year. (Contribution base means adjusted gross income).
> (2) Corporations - In the case of a corporation, the total deduction under subsection (a) for any taxable year shall not exceed 5 percent of the taxpayer's taxable income.

Although the charitable contributions deduction is not a direct financial benefit to colleges and universities, the tax benefits provided to individuals and corporations are passed along to the educational institutions in the form of money contributed.

Since 1917 the deduction has drawn funds to donee institutions and brought savings to donors. On the basis of their survey of 1093 institutions, the Council for Financial Aid to Education estimated that voluntary support of higher education in 1972 totalled $2.02 billion. Individuals contributed 48.2% of this sum; industrial corporations provided 13.6%. Donee institutions utilized part of this money to meet current operating costs and part to defray capital costs. The balance enlarged institutional endowments to produce income for future years. The Carnegie Commission calculated that in 1970-71, endowment income plus gifts for current operating cost purposes financed 10.3% of the current operating costs of institutions of higher education, while contributions for capital expenditure

> purposes accounted for 22.3% of their capital budgets.[66]

The charitable contributions deduction, although a blessing to many of the wealthy and well-known colleges and universities, is not really a great source of revenue for the many small and relatively unknown colleges throughout the country. The contribution deduction itself is geared towards the wealthy who will receive the highest rate of deduction since the taxpayer's tax bracket determines how much of each dollar contributed is deductible. (The 40% tax bracket gets the benefit of $.40 per dollar contributed, the 50% bracket gets the benefit of $.50 per dollar.) Since the wealthy contribute the largest dollar amount of all individuals who contribute, it is not surprising if they contribute their money to the wealthy prestige institutions which they attended and which their children are now attending.

> A detailed study of individual and corporate giving to Massachusetts colleges and universities discovered that the same pattern prevails. Of 41 institutions surveyed, the 11 best-known private institutions received $123.8 million of voluntary support in fiscal year 1972. The other 28 private colleges and universities enrolled twice as many students but received only $16.4 million. The two public institutions received a miniscule $0.5 million. The two public institutions received a miniscule $0.5 million. The same study also found that voluntary support tended to flow toward already wealthy institutions; that is those with the largest existing endowments.[67]

Thus, voluntary support, although important to the larger universities is not really a viable solution to the need for funds that virtually all independent colleges and universities are now experiencing. It can be said for this form of revenue that whatever money the colleges receive is that much less money that will have to come from students to support educational institutions.

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[66] Carnegie Commission On Higher Education, Higher Education Who Pays? Who Benefits? Who Should Pay? (1973).

[67] J. Kirkwood, Tax Incentives for Higher Education (June, 1974), p. 5.

STUDENT DEPENDENTS' EXEMPTION

Another tax relief provision designed to aid institutions of higher education is the exemption given to families for student dependents. Section 151 of the Internal Revenue Code explains this exemption as follows.

> Additional Exemption for Dependents - In General - An exemption of $750 for each dependent (B) who is a child of the taxpayer and who (i) has not attained the age of 19 at the close of the calendar year in which the taxable year of the taxpayer begins, or (ii) is a student. (4) Student Defined - For purposes of paragraph (1)(B)(ii), the term 'student' means an individual who during each of 5 calendar months during the calendar year in which the taxable year of the taxpayer begins - (A) is a full-time student at an educational organization described in section 170(b)(1)(A)(ii); or (B) is pursuing a full-time course of institutional on farm training under the supervision of an accredited agent of an educational organization.

The student dependent exemption is beneficial both to the educational institution and the family of the college student. With the tremendous rise in the cost of educating family members, the exemption of $750 per child defrays at least a portion of tuition cost for the family and makes it possible for many families with several college age family members to meet a portion of the costs of sending children to college. A problem with the student dependent exemption deduction is that it tends more to favor the higher income families who could possibly send their children to college even if costs were high. The exemption favors higher bracket taxpayers to a greater extent due to the graduated structure of the tax rates. Thus, although the student dependent exemption brings some financial relief to families of college students, the costs of education today are forcing many college age family members to forego a college education. If the cost of education continues to increase at the present rate, the government will have to provide families with further financial assistance so as to maintain our present educational system with a vital independent sector.

EXCLUSION OF SCHOLARSHIP INCOME

The exclusion of scholarship income is another way in which educational institutions benefit through the tax savings of individuals. Once again, when the student or the student's family saves money through tax exemption or exclusion, the savings is passed through to the educational institution in the form of tuition revenue. Section 117 of the Internal Revenue explains the exclusion of scholarships and fellowship grants as follows:

> (a) General Rule - In the case of an individual, gross income does not include- (1) any amount received - (A) as a scholarship at an educational organization. (B) as a fellowship grant, including the value of contributed services and accomodations; and (2) any amount received to cover expenses for - (A) travel, (B) research, (C) clerical help, or (D) equipment, which are incident to such a scholarship or to a fellowship grant, but only to the extent that the amount is so expended by the recipient.

The amount of money that is passed on to the university or college through the student who qualifies for various scholarships and fellowships is quite substantial. According to one congressional estimate "recipients of scholarships and fellowship grants were spared some $125 million in income taxes in 1972"[68] due to the exclusion of such financial assistance from taxable income.

STATE AND LOCAL BENEFITS

If an educational institution establishes exemption from federal income tax, it is generally entitled to exemption from state and local income taxes. Although exemption from various other taxes is different from state to state, New York will be used to illustrate the types of benefits available to tax-exempt organizations on the state level.

NEW YORK

Corporate Franchise and Income Taxes

If a non-profit organization establishes its tax exemption on the federal level, New York State law will provide the organization exemption from New York State franchise tax (corporate) and New York City corporate income tax.[69]

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[68] "Law and Contemporary Problems" *Higher Education* (Autumn, 1975), p. 146.

Fiduciary Income Tax and Unincorporated Business Tax

If a non-profit organization is organized as a trust or a unincorporated business organization, New York State and New York City will provide the organization with exemption from personal income tax and the unincorporated business income tax, if the organization is exempt from federal income tax.[70]

Unrelated Business Income Tax

If an organization is subject to the federal unrelated business income tax, it will also be subject to the New York State unrelated business income tax. The tax is based on nine percent of the federal taxable income.[71]

Property Taxes

Educational institutions that are exempt from state tax as qualified 501(c)(3) organizations, and that own real property in New York State, are exempt from all real property taxes.[72]

Sales and Use Tax

If an organization is exempt from tax under section 501(c)(3), and the organization supplies it's vendors with "Exempt Organization Certification" (form ST-119.1), the organization will not have to pay New York sales and use taxes on the products it buys.[73]

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[69] Regs. 1.3 and 1.7, ART. 9-A, N.Y. Tax Law; Regs. 1-6, Ch. 46, Title R, N.Y.C. Admin. Code.

[70] 601(d) and 703(g), N.Y. Tax Law; 2.0(d), ch. 46, Title T. and 2.0(g), ch. 46, Title S, N.Y.C. Admin. Code.

[71] Par. 290 etseg., N.Y. Tax Law.

[72] Par. 421, N.Y. Real Property Tax Law.

[73] Par. 3.0, ch. 51, Title J. N.Y.C. Admin. Code.

Stock Transfer Tax

Since most colleges and universities invest their excess funds in securities, or receive securities as contributions from various individuals, there are a great number of transfers of securities that are subject to taxes. New York State provides educational organizations exemption from the state tax on sales and transfers of securities.

CONCLUSION

The previous pages examined the tax exemptions and tax benefits available to colleges and universities. It is obvious that although the government has provided educational organizations with various methods in which to save their scarce resources that much more must be done to relieve the economic pressures from both the institutions and the students and their families who pay a large portion of the costs for education. Many of the tax laws which would reduce the cost of education for the family, and in that way increase the available family income that could be spent for education, are geared towards the wealthy who comprise a very small percentage of the college population in this country. With the largest proportion of college students coming from middle-class and lower middle-class families with incomes which do not fall within the progressive tax structure which enables them to receive any significant tax benefits, it is little wonder that most families are barely able to send their children to college.

What must be done in the future, is that many more tax benefits must be passed along to middle-class families as direct credits against taxable income. That is, the government must realize that the tax rate structure does not permit middle-class families to reap any of the benefits of deductions for contributions that could provide any significant tax relief), student dependent exemptions, and exclusion of scholarship and fellowship income. What must happen in the future is that either the government must subsidize the costs of running an educational institution directly through the college or university, or provide the family unit with direct tax credits against taxable income. If these measures are not undertaken shortly many colleges and universities will be forced to close their doors due to a lack of students.

The ability for an individual to obtain as much education as he or she is capable of acquiring should be a goal that the people of this country must demand. It would be a great detriment to the progress of this nation and the rest of mankind if the doors of the colleges and universities began to close to all but a hand full of rich individuals due to a lack of imagination on the part of the law makers of this country who are more concerned with military spending than educational spending.

The time is right with the condition that our economy is presently in for the government to once again turn its attention toward the field of education. By subsidizing the cost of college education and by increasing the funds that are spent on education the government would be providing jobs, money flow, and possibly a resurgence in the enthusiasm that was felt on the college campus during the 1960's. Either the government and the people of this nation will make an effort to save our declining educational institutions, or the present educational system that we know today will deteriorate into a system where a few educational institutions are kept functioning in order to meet the needs of a very small proportion of those individuals who could benefit from an education, and who would help this nation achieve great accomplishments.

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CHAPTER 4

STATE INSTITUTIONAL ASSISTANCE

Philip Hanfling

INTRODUCTION

New York, unlike other states in the nation, has a single university encompassing all of higher education called the University of the State of New York.[1] This organization is broken down into three parts, notably:

1. The independent colleges and universities
2. The State University of New York (S.U.N.Y.)
3. The City University of New York (C.U.N.Y.)

The independent institutions, which number 109, are non-profit and accountable to the Regents of the University of the State of New York for their academic programs, as are S.U.N.Y. and C.U.N.Y.

In order to represent the interests of the independent institutions before government-sponsored agencies and policy-making bodies and to coordinate master planning for this sector of the State system, the independent institutions created the Commission on Independent Colleges and Universities (CICU).[2]

CICU plays an important monitoring role for the private sector. Also, its importance has increased in the last two decades as the financial strains of higher education came to have an increasing effect on the independents.

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[1] Commission of Independent Colleges and Universities, (CICU), *Understanding Higher Education in New York State*, (Albany, N.Y.), p. 1.

[2] *Ibid*.

CICU believes that for there to be a unity of approach to the problems of higher education, the City University and the State University must recognize that the independent colleges and universities are no less public than they in pursuing their educational mission.[3]

> As public financial resources become less elastic and high school graduates decline in the coming decade, it will be most important for all institutions to strive for cooperation and to seek ways in which they may work together for the public welfare. While competition for enrollments and resources may be inevitable, and may even be encouraged as a wholesome element for sound public higher education policy, the Regents will be called upon to be more assertive in assuring that such competition is both fair and constructive. It will be the role of the Regents to point out to the participants as well as to the Governor, the Legislature, and the general public that the common educational mission of the University of the State of New York can never be relegated to a priority status inferior to individual institutional interests.[4]

NEW YORK AND HIGHER EDUCATION: SOME FACTS AND FIGURES

Certain fiscal changes have occurred in New York in the past two decades. In 1960 its per capita income was 27 percent higher than the rest of the county, while by 1975 it was only ten percent higher.[5]

In 1970, New York state and local taxes were 43 percent above the national average, while in 1976 they were 63 percent higher. In 1977 New York State had the greatest number of students enrolled in independent colleges and universities of any state; the independent sector costs the taxpayers less than the government-sponsored sector.[6]

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[3] Commission of Independent Colleges and Universities, "A Capacity for Innovation," 1976 Master Plan of the Commission on Independent Colleges and Universities (Albany, N.Y.), p. 1.

[4] Ibid.

[5] CICU, Understanding Higher Education in New York State, p. 2.

[6] Ibid.

Let us look at the costs to the taxpayers of New York for a student enrolled in each of the sectors of higher education. The following information is from the State of New York Executive Budget, 1977-78, and reveals:

TABLE 1

N.Y. STATE APPROPRIATIONS FOR HIGHER EDUCATIONAL OPERATIONS PER FULL-TIME EQUIVALENT STUDENT

(graduate and undergraduate)

	1976-77 (EST) State Appropriations Per FTE Student	1976-77 (EST) State Appropriations Plus Local Sponsor Appropriations Per FTE Student
S.U.N.Y. (Excl. Community Colleges)	$4,435	$4,435
C.U.N.Y. (Incl. NYC Comm. Colleges)	1,648	2,794
S.U.N.Y. Community Colleges	1,049	1,715
Independent Colleges and Universities	605	605

* State appropriation figures exclude capital construction and include Tuition Assistance Program (TAP) payments for 1976-77 as reported by HESC, as of February, 1977.

SOURCE: CICU, Understanding Higher Education in New York State, p. 2.

According to CICU, the number of college students is expected to decline by one-third in the 1980's. This would be a tragedy for New York's colleges and universities. Enrollment declines will force some institutions to close their doors. These declines will affect most severely that sector that has the lowest tax cost to the citizen because charges to students (tuition) are the highest in that sector.[7]

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[7] Ibid., p. 6.

The Regents Statewide plan for the Development of Post-secondary Education (1976) showed the following:

TABLE 2

EXPECTED DECLINES IN FOUR-YEAR, FULL-TIME UNDERGRADUATE ENROLLMENT
(Fall 1976 vs. Fall 1984)

	Fall 1976	Fall 1984	Enrollment Decline Expected	Percent
S.U.N.Y.	109,235	98,100	-11,135	10%
C.U.N.Y.	72,042	57,000	-15,042	21
Independent	181,881	157,100	-24,781	13

SOURCE: CICU, Understanding Higher Education in New York State, p. 2.

The above figures are quite startling, and the resulting consequences could mean increased taxes. Let us see why this is so.

According to CICU, the independent colleges and universities are the most vulnerable to the projected enrollment declines. Tuition makes up a greater part of their revenues. Income from endowment and voluntary giving has declined. Since 1965, 32 independent institutions in New York have closed their doors, and if this trend continues, there will be more. The quality of private institutions will decrease due to the general lack of funds, resulting in more students attending a government-sponsored institution.[8]

If independent institutions are forced to close, there would be a greater tax burden for the citizen because student enrollment would shift significantly to higher tax-levy cost government-sponsored institutions.

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[8] Ibid., p. 7.

According to the State of New York Executive Budget (1977-78), "New York State's annual investment in higher education is 11.4%."[9]

TABLE 3

NEW YORK STATE EXPENDITURES AND APPROPRIATIONS FOR HIGHER EDUCATION OPERATIONS

($ Million)

	Estimate 1976-77	Approved 1977-78	5-Year Increase 73-4 vs. 77-8
Total Expenditures	$11,021	$11,406	$2,966 (35%)
State Appropriations Higher Education	1,270	1,305	277 (21%)
Higher Education as a % of Total Expenditures	11.5%	11.4%*	

* Percent of total expenditures for higher education was 12.1% in 1974-75 and 1975-76. Appropriations for higher education exclude construction.

The Bureau of Statistical Services of the State Education Department reports that while the cost of living since 1960 has doubled, the State's expenditures for higher education have increased over twelve-fold. During the same span, enrollment in the government-sponsored sector has increased 300 percent and 67 percent in the independent sector.[10]

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[9] *Ibid.*, p. 8.

[10] *Ibid.*, p. 9.

TABLE 4

TOTAL FULL-TIME EQUIVALENT (FTE) ENROLLMENT IN NEW YORK STATE
(1960-1 to 1977-8)

	Independent Institutions		Government-Sponsored Institutions		Total Tax Levy; Dollars Expended For Institutions Of Higher Education[a] (Million)
	Number	% of total	Number	% of total	
1960-61	169,158	62.6	101,093	37.4	$ 119.1
1965-66	220,235	53.0	195,202	47.0	367.0
1970-71	250,018	42.7	335,027	57.3	908.8
1974-75	261,209	38.0	425,484	62.0	1,453.5
1975-76	279,147	38.4	448,141	61.6	1,536.6
1976-77[b]	284,872	40.8	412,546	59.2	1,509.0
1977-78[c]	291,784	41.0	419,710	59.0	1,502.0

a. Includes both state and local government appropriations.

b. Preliminary

c. Estimates based upon Regents' Statewide Master Plan, 1976.

Looking at the three sectors of higher education, we see the following breakdown in state and local appropriations:

TABLE 5

APPROPRIATIONS FOR HIGHER EDUCATION OPERATION IN NEW YORK STATE

	Approved 1977-78		% of Total Appropriations	
	State	Local	State	Local
S.U.N.Y. (Excluding Community Colleges)	$ 725	-	48%	-
C.U.N.Y. (Including Community Colleges)	265	126	18%	8%
S.U.N.Y. Community Colleges	103	71	7%	5%
Independent Colleges and Universities	182	-	12%	-
State Education Dept. and others	30	-	2%	-
Subtotal	$1,305	$197	87%	13%
TOTAL	$1,502		100%	

SOURCE: State of New York Executive Budget, 1977-78, S.U.N.Y. Community College total appropriations based on S.U.N.Y. estimates.

TABLE 6

NEW YORK STATE
HIGHER EDUCATION'S SHARE OF TOTAL STATE REVENUES
1971-72 - 1976-77

($ Million)

	Total State Revenues*	Appropriation for Higher Education	Higher Education Percent Of Total
1971-72	$ 6,939	$ 830	12.0
1972-73	8,132	872	10.7
1973-74	8,400	1,012	12.0
1974-75	9,423	1,173	12.4
1975-76	9,974	1,230	12.3
1976-77	10,611	1,274	12.0

* Excluding Federal revenue sharing funds.

SOURCE: State Education Department, The Higher Educational System of New York State, (Albany, N.Y.), p. 2.

TABLE 7

STATE TAX REVENUES AND APPROPRIATIONS FOR HIGHER EDUCATION

Selected States
1971-72 and 1975-76
(Amounts in Million Dollars)

	1971-72			1975-76	
	Total Tax Revenues	Approp. Higher Education	Percent for Hi. Educ.	Approp. Higher Education	Percent Increase 1971-75
New York	$ 6,939	$ 830	12.0	$1,253	51
California	6,740	854	12.7	1,542	81
Pennsylvania	3,863	347	9.0	623	80
Illinois	3,398	475	14.0	643	35
Michigan	3,062	379	12.4	557	47
Texas	2,572	418	16.3	830	99
Ohio	2,189	286	13.1	452	58
Florida	1,990	248	12.4	411	66
Wisconsin	1,628	226	13.9	334	48
Minnesota	1,324	165	12.4	251	52
Maryland	1,272	142	11.2	207	46
Georgia	1,198	163	13.6	240	47
Indiana	1,187	201	17.0	295	47
Connecticut	989	112	11.8	137	22
Iowa	759	120	15.8	195	63
Colorado	602	113	18.8	184	63
Arizona	595	98	16.4	163	66
TOTAL	$40,309	$5,176	12.8	$8,317	61

SOURCES: M. M. Chambers of Illinois State University
The Book of the States, The Council of State Governments, 1974.

TABLE 8

EDUCATIONAL AND GENERAL EXPENDITURES*
PER FULL-TIME EQUIVALENT STUDENT (FTES)**
REPRESENTATIVE STATE-AIDED INDEPENDENT INSTITUTIONS
1972-73 and 1975-76

	1972-73		1975-76		Percent Change	
	FTES	E & G Expend. Per FTES	FTES	E & G Expend. Per FTES	FTES	E & G Expend. Per FTES
Adelphi University	6,306	$2,243	8,024	$2,893	27.2	29.0
Hofstra University	10,120	2,138	8,449	2,891	(16.5)	35.2
Pace University	6,863	1,884	8,504	2,713	23.9	44.0
Barnard College	1,945	3,256	1,910	4,273	(1.8)	31.2
Colgate University	2,543	3,056	2,609	4,112	2.6	34.6
Elmira College	2,176	1,326	2,374	1,635	9.1	23.3
Hartwick College	1,727	2,869	1,703	3,794	(1.4)	32.2
Hobart & Wm. Smith Colleges	1,603	3,005	1,788	3,700	11.5	23.1
Ithaca College	4,305	2,594	4,555	3,164	5.8	22.0
Russell Sage College	2,954	1,862	3,116	2,117	5.5	13.7
St. Lawrence University	2,441	2,535	2,545	3,134	4.6	23.6
Skidmore College	2,043	3,097	2,312	3,802	13.2	22.8
Union College	2,376	2,746	2,608	3,668	9.8	33.6
Vassar College	2,204	3,737	2,250	4,620	2.1	23.6
Wagner College	2,718	2,337	2,382	3,162	(12.4)	35.3
Average 15 Institutions–	3,488	2,353	3,675	3,110	5.4	32.2

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* Educational and General Expenditures as defined by accepted accounting guides and as reported by the institutions adjusted by exclusion of expenditures for sponsored research, other sponsored programs, indirect costs attributable to such sponsored activities, student aid and debt service. The resulting figure is considered to be the most practicable measure of the "cost" of providing educational services to students.

** Full-Time Equivalent Students (FTES) = full-time fall enrollment + .3 (part-time under-graduates) + .4 (part-time graduate and first-professional) + .15 (summer session under-graduates) + .2 (summer session graduate and first professional).

We can see that the major increase in state support has been for the growth and development of the State University system. Second in importance has been the growth of the City University and the recent committment of the state to significant sharing in the financing of this institution.

Thirdly, the state assumed some responsibility for the financial support of independent institutions by adoption of the "Bundy program" in 1968.[11] However, we can see from the previous table that almost one-half of New York State's higher education outlay is for the State University. The Higher Education System of New York State reports:

> The University's relative share of state funds has actually fallen somewhat since 1971-72, the declining relative share primarily attributable to higher state allocations to the City University of New York, increased Bundy aid to non-public institutions, and adoption of the Tuition Assistance Program providing higher levels of state aids to students.[12]

During the early 1970's, the C.U.N.Y. four-year colleges received noteworthy increases in state support based upon the 50-50 formula for state-city shares of operation budget net of tuition and fee income. This was due to C.U.N.Y.'s then new open admissions policy, the concommittment sharply rising enrollments, and cost increases.[13]

The state supplies about 75 percent of the funds used by S.U.N.Y. for their current operation. The remaining 25 percent comes from student tuition, Federal and other governmental sources, gifts and grants for sponsored research and other programs, and other institutional income.[14]

The community colleges receive between one-third and 40 percent of their operating expenditures from the state, the latter figure applying to those institutions that have adopted "full opportunity" admissions programs. The remainder of the financial needs of these institutions is met by student tuition charges and tax revenues of the sponsoring local government.[15]

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[11] Ibid., p. 1.

[12] Ibid., p. 3.

[13] Ibid.

[14] Ibid., p. 7.

[15] Ibid.

According to the State Education Department (of the University of the State of New York), the program of direct state aid to non-public institutions has a widely differential impact on the various colleges and universities depending upon their enrollments, number and level of degrees conferred, program structure, and other variables. The state's share of current educational operating expenditures of these institutions can be estimated at five to ten percent.[16]

COST PER STUDENT

We can determine the costs per student enrolled in an individual institution within a reasonable degree of accuracy, and we can compare the costs among institutions.

First of all, generally speaking, institutions tend to live within their means.

> However, the 'independent institution' which was founded one hundred or more years ago, which has achieved a prestigious reputation, and which has accumulated a significant endowment, will have higher expenditures per student than the newer institutions without these attributes. Similarly, the public institution which is funded more generously by its governmental sponsor will spend more per student than the one which is offered less funds.[17]

From the mid-1960's through 1974-75, the expenditures or costs of higher educational institutions had been rising at an average annual rate of approximately 7.5 percent, although the energy crisis "has accelerated the rate in the last few years and in 1975-76 due to higher fuel and utility charges."[18]

Obviously, a roughly inverse relationship exists between changes in student enrollment and expenditures per student. In general, unit costs rise more sharply for those institutions which have lost enrollment and may actually fall for some institutions which have had increases in enrollment. This is due in part to the fact that monetary committments are made in advance as budgets are prepared well in advance and in part to economies of scale.

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[16] Ibid.

[17] Ibid., p. 10.

[18] Ibid., p. 11.

When we compare public and independent institutions in New York (those of similar size, mission, and programs), the costs of providing education are approximately the same.

TUITION RATES

While there has been a steady rise in the costs of higher education, tuition rates have also been increasing by an average of 7.9 percent per year over the past ten years. Many independent universities set tuition rates closely approximating their educational cost per student. The average tuition rate was $157 or seven percent above average cost in 1972-73; in 1975-76 average tuition of $3,015 was $95 or three percent below cost.[19]

According to the State Education Department, tuition income seldom covers the true cost of education.

> The tuition rates are the nominal or gross tuition rates billed to students. Tuition income along with other general income is redistributed among students through scholarship grants. For these independent institutions about 63% of the scholarship grants are unfunded by gifts or the income from restricted scholarship endowment funds. The result is that an average of 8 to 10% of tuition income is not collected in cash but is redistributed among students through scholarship grants. In effect, those whose income level is sufficiently high to require them to pay full tuition have some of their tuition payments redistributed to those who cannot afford to pay the full charge.[20]

It is interesting to note that the undergraduate tuition rate of the State University through 1975-76 was $650 for lower-division and $800 for upper-division students. We can see mathematically that tuition charges covered 24 to 30 percent of the average cost of educational services provided to these students, as opposed to tuition rates of close to 100 percent of cost in the case of independent institutions.

We can note the discrepancy in tuition rates charged to public and private university students. Let us see how private institutions received state aid prior to 1968.

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[19] *Ibid.*, p. 15.

[20] *Ibid.*

TABLE 9

TUITION RATES AND INCREASES
REPRESENTATIVE STATE-AIDED INDEPENDENT INSTITUTIONS
1966-1976

	Tuition Rates Per Academic Year[1]				Percent Increase 1966-1976	
	1966-67	1969-70	1972-73	1976-77	10-Years	Per Year[2]
Adelphi University	$ 1,495	$ 1,800	$ 2,328	$ 3,260	118	8.1
Hofstra University	1,390	1,650	2,370	3,285	136	8.9
Pace University	1,240	1,400	2,035	2,500	102	7.3
Barnard College	1,800	2,100	2,960	3,965	120	8.2
Colgate University	1,950	2,450	2,950	3,885	99	7.1
Elmira College	1,835	2,050	2,985	3,300	80	6.1
Hartwick College	1,400	1,700	2,550	3,850	175	10.6
Hobart & Wm. Smith Col.	1,750	2,200	2,785	3,570	104	7.4
Ithaca College	1,870	2,365	2,860	3,675	97	7.0
Russell Sage College	1,300	1,500	2,100	2,600	100	7.2
St. Lawrence Univ.	1,750	2,325	2,718	3,395	94	6.9
Skidmore College	1,815	2,400	3,005	3,975	119	8.2
Union College	1,833	2,145	2,760	3,750	105	7.4
Vassar College	1,500	2,130	2,815	3,600	140	9.2
Wagner College	1,610	1,810	2,290	2,850	77	5.9
Average[3]	$ 1,565	$ 1,920	$ 2,510	$ 3,315	112	7.9

[1] Tuition charge plus general fee, but excluding special fees, student activities fees, etc.
[2] Compound annual rate of increase.
[3] Weighted by institutional enrollments.

SOURCE: State Education Department, The Higher Educational System of New York State, (Albany, N.Y.), p. 16.

TABLE 10

NEW YOUR STATE'S
HIGHER EDUCATION SYSTEM[1]
INSTITUTIONS, ENROLLMENTS, DEGREES
1975-76

Sector/Type of Institution	Number of Institutions	Enrollment Fall 1975[a]	Degrees 1975-76[b]
State University of New York	64	357,660	62,677
University Centers	4	64,000	12,370
University Colleges	14	89,800	17,285
Health Sciences Centers	2[c]	6,800	1,717
Specialized Colleges	3	3,600	733
Statutory Colleges	5	7,400	1,938
Two-Year			
Agricultural & Technical	6	29,400	6,991
Community Colleges	30	156,600	21,643
City University of New York	19	250,800	34,301
Graduate School	1	2,900	d
Senior Colleges	10	162,600	24,319
Community Colleges	8	85,300	9,982
Regents External Degree Program	1	3,300[e]	1,232
Independent	157	386,200	81,157
Multiversities	5	85,600	21,024
Universities	6	76,700	17,319
College Complexes	26	79,900	16,331
Colleges	35	49,400	9,059
Engineering & Technical	8	50,200	8,017
Specialized Colleges	10	15,300	3,553
Health Sciences Centers[2]	8	4,500	1,109
Seminaries	19	3,100	725
Two-Year			
Traditional	16	8,700	2,227
Degree Program	24	12,800	1,793
All Institutions	241	994,600	179,367

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[1] Data are for degree-granting institutions.

[2] Data include Cornell University Medical College; however, this unit is not counted as a separate institution.

TABLE 10
(Continued)

[a] Degree-credit, full- and part-time, undergraduate, first-professional, and graduate.

[b] Estimate; SUNY data are 1974-75.

[c] Data include the centers at Buffalo and Stony Brook; however, these are not counted as separate institutions since they are parts of the university centers at those locations.

[d] Included in senior colleges.

[e] The enrollments listed for the Regents External Degree Program are actually "registrants" and are not included in the grand total.

TABLE 11

DEGREE-CREDIT ENROLLMENT IN NEW YORK STATE, FALL 1975

(Thousand)

Type/Sector of Institution	Undergraduate				Graduate*				Headcount	
	Full Time	% of Total	Full Time	% of Total	Full Time	% of Total	Full Time	% of Total	Number	Percent
State Univ.										
Four-Year	111.6	20.3	18.5	7.2	15.7	24.5	25.8	20.6	117.6	17.3
Two-Year	104.2	19.0	81.9	32.0	-	-	-	-	186.0	18.7
Total State University	215.8	39.3	100.4	39.2	15.7	24.5	25.8	20.6	357.6	36.0
City Univ.										
Four-Year	87.6	15.9	51.0	20.0	4.5	7.1	22.4	17.9	165.4	16.6
Two-Year	44.5	8.1	40.8	15.8	-	-	-	-	85.3	8.6
Total City University	132.1	24.0	91.8	35.8	4.5	7.1	22.4	17.9	250.8	25.2
Independent										
Four-Year	184.1	33.6	59.9	23.3	43.7	68.4	77.0	61.5	364.7	36.6
Two-Year										
Traditional	7.2	1.3	1.5	.6	-	-	-	-	8.7	.9
Degree-Prog.	10.1	1.8	2.8	1.1	-	-	-	-	12.9	1.3
Total Independent	201.4	36.7	64.1	25.0	43.7	68.4	77.0	61.5	386.1	38.8
Total New York State	549.3	100.0	256.3	100.0	63.9	100.0	125.2	100.0	994.5	100.0

* Includes first-professional.

SOURCE: State Education Department, The Higher Educational System of New York State, (Albany, N.Y.), p. 21.

TABLE 12

FULL-TIME FIRST-TIME FRESHMEN IN NEW YORK STATE, FALL 1969 AND FALL 1975

(Thousand)

Type/Sector of Institution	Fall 1969		Fall 1975		Change 1969-75	
	Number	Percent	Number	Percent*	Number*	Percent*
State University of New York						
Four-Year	18.8	15.4	23.6	15.5	4.7	25.2
Two-Year	36.5	29.8	48.3	31.9	11.9	32.5
Total State University	55.3	45.2	71.9	47.4	16.6	30.0
City University of New York						
Four-Year	11.3	9.3	17.0	11.2	5.6	50.1
Two-Year	8.8	7.2	13.7	9.0	4.9	55.1
Total City University	20.1	16.5	30.7	20.2	10.5	52.3
Independent						
Four-Year	43.9	35.9	45.8	30.2	1.9	4.2
Two-Year						
Traditional	3.0	2.4	3.3	2.2	.3	10.3
Degree-Program	-	-	6.1	-	NA	NA
Total Independent	46.9	38.3	55.2	32.4	2.2	4.6
Total Four-Year	74.1	60.6	86.4	57.0	12.3	16.6
Total Two-Year	48.3	39.4	71.4	43.0	17.0	35.3
Total New York State	122.3	100.0	157.8	100.0	29.3	23.9

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* Excluding "Degree-Program" Institutions.

SOURCE: State Education Department, The Higher Educational System of New York State, (Albany, N.Y.), p. 27.

TABLE 13

FULL-TIME UNDERGRADUATE ENROLLMENT IN NEW YORK STATE: 1969, 1971, 1973, 1975

(Thousand)

Type/Sector of Institution	Fall 1969	Fall 1971	Fall 1973	Fall 1975	Change: 1969-1	
					Number	Percent
Four-Year Institutions						
State University	78.8	93.1	99.6	111.6	32.8	41.6
City University	54.8	77.9	84.6	87.6	32.7	59.7
Independent	168.7	172.1	164.7	184.1	15.4	9.1
Total Four-Year Institutions	302.3	343.1	348.9	383.3	80.9	26.8
Two-Year Institutions						
State University	68.6	82.8	88.6	104.2	35.5	51.8
City University	21.7	35.9	41.3	44.5	22.8	105.3
Independent						
Traditional	6.1	5.3	6.5	7.2	1.1	17.5
Degree-Program	-	-	6.7	10.1	3.3*	49.9*
Total Two-Year Institutions	96.4	124.0	143.1	166.0	69.5	72.1
Total New York State	398.7	467.1	492.0	549.3	150.4	37.7

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* Change calculated is that for 1973 to 1975.

SOURCE: State Education Department, The Higher Educational System of New York State, (Albany, N.Y.), p. 28.

TABLE 14

PERCENTAGE DISTRIBUTION OF FULL-TIME UNDERGRADUATE ENROLLMENT IN NEW YORK STATE: 1969, 1971, 1973, 1975

Type/Sector of Institution	Fall 1969	Fall 1971	Fall 1973	Fall 1975	Change* 1969-1975
Four-Year Institutions					
State University	19.8%	19.9%	20.2%	20.3%	.5%
City University	13.7	16.7	17.2	15.9	2.2
Independent	42.3	36.8	33.5	33.6	(8.7)
Total Four-Year Institutions	75.8	73.4	70.9	69.8	(6.0)
Two-Year Institutions					
State University	17.3	17.8	18.0	19.0	1.7
City University	5.4	7.7	8.4	8.1	2.7
Independent					
Traditional	1.5	1.1	1.3	1.3	(.2)
Degree-Program	-	-	1.4	1.8	1.8
Total Two-Year Institutions	24.2	26.6	29.1	30.2	6.0
Total New York State	100.0	100.0	100.0	100.0	-

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* The arithmetic difference between the percentage in Fall 1975 and Fall 1969.

SOURCE: State Education Department, The Higher Educational System of New York State, (Albany, N.Y.), p. 29.

TABLE 15

PART-TIME UNDERGRADUATE ENROLLMENT IN NEW YORK STATE: 1969, 1971, 1973, 1975

(Thousand)

Type/Sector of Institution	Fall 1969	Fall 1971	Fall 1973	Fall 1975	Change: 1969-1975 Number	Change: 1969-1975 Percent
Four-Year Institutions						
State University	9.2	10.8	14.4	18.5	9.3	100.5
City University	33.7	35.4	46.5	51.0	17.3	51.3
Independent	40.3	37.1	50.6	59.9	19.5	48.4
Total Four-Year Institutions	83.2	83.3	111.5	129.4	46.1	55.3
Two-Year Institutions						
State University	53.1	60.4	65.9	81.9	28.9	54.4
City University	26.1	30.8	37.0	40.8	14.7	56.3
Independent						
Traditional	1.0	1.0	1.2	1.5	.5	43.3
Degree-Program	-	-	2.1	2.8	.7*	33.4
Total Two-Year Institutions	80.2	92.2	106.2	127.0	46.8	58.4
Total New York State	163.4	175.5	217.7	256.3	92.9	56.8

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* The change calculated is that occurring between 1973 and 1975.

SOURCE: State Education Department, The Higher Educational System of New York State, (Albany, N.Y.), p. 31.

HISTORICAL PRECEDENT TO AID

In his book Statewide Coordination of Higher Education, Robert Berdahl states that during the colonial period and the first century or so of independence, most New England and Middle Atlantic states gave substantial subsidies to their so-called "private" institutions of higher education.

> Harvard, for example, had received over a half-million dollars and 46,000 acres of land by 1874. Yale, William and Mary, Dartmouth, Columbia, Williams, Bowdoix, Bates, Colby, Middlebury, Union, Hamilton, Rochester, and Cornell are just a few of the other institutions which received some form of public assistance during these periods.[21]

Berdahl continues:

> As the rest of the country was settled, however, the tradition of public higher education became stronger, augmented in no small measure by the Morrell Act of 1862. In addition, most state constitutions came to include prohibitions against state aid to sectarian institutions - a reflection of the increasing derisiveness of religious differences - and, in some cases, this prohibition was extended to all private institutions.[22]

The public sector continued to grow and by the 1930's about 50 percent of all students of higher education in the country were enrolled in public institutions. As this trend continued, the need for aid to private institutions grew and became a popular view.

In 1967 Allan M. Carter, then of New York University and a leading advocate for independent institutions, had estimated that if things continued as they were, "only a handful of extremely well endowed private institutions will remain as viable quality institutions."[23]

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[21] Robert O. Berdahl, Statewide Coordination of Higher Education, (Washington: 1971), p. 201.

[22] *Ibid*., p. 202.

[23] *Ibid*., p. 203.

In Texas the Liaison Committee on Texas Private Colleges and Universities stated, "We believe in the value, viability and necessity of a dual system of higher education so that there can be freedom of choice, diversity, pluralism, and maintenance of quality for both the public and private sectors."[24]

Berdahl makes an interesting observation concerning private institutions.

> Other advocates of aid to private institutions have pointed out that, given our present concern over impersonal mass institutions and student alienation, the private colleges' freedom to remain small and intimate if they so desire takes on a special value. Still others stress the desirability of having at least some institutions operate from an explicit religious or ethical base in today's permissive society. Finally, it is argued that the very existence of free private institutions can strengthen freedom in the public sector, for if oppression occurs in the latter, the best professors can leave for greener pastures.[25]

BUNDY AID - HISTORY

Ten years ago, New York State started granting general unrestricted financial aid to its independent colleges and universities. The legislation providing for this aid program was adopted by the 1968 Legislature and was based upon recommendations of the Select Committee on the Future of Private and Independent Higher Education in New York State contained in its report of January, 1968, entitled "New York State and Higher Education."[26]

Headed by McGeorge Bundy, the Select Committee had been appointed in 1967 jointly by Governor Rockefeller and Chancellor Couper of the Board of Regents and had been charged with advising "how the state can help preserve the strength and vitality of our private and independent institutions of higher education, yet at the same time keep them free."[27] The Committee found that independent higher institutions were facing increasing financial problems and that some form of continuing state assistance was needed.

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[24] *Ibid*., p. 204.

[25] *Ibid*.

[26] The State Education Department, The University of the State of New York, *Bundy Aid Program*, p. 1.

[27] *Ibid*.

In an attempt to relieve these financial problems, the 1968 legislation (Section 6401 of the Education Law) adopted a formula to provide aid on the basis of conferred degrees: $400 for each bachelor's and master's degree, and $2,400 for each doctoral degree. After suggestions from the Regents and the Governor, the 1973 Legislature amended the law, increasing the formula to $800 for the bachelor's degree, $600 for the master's degree, and $3,000 for the doctorate. Independent two-year colleges were also made eligible for Bundy aid at the rate of $300 for each associate's degree conferred. In 1976 the Legislature authorized increased state aid in the supplemental budget appropriation to provide payments of $330 for each associate's degree, $940 for each bachelor's degree, $650 for each master's degree, and $3,100 for each doctorate.[28]

ASSOCIATE'S DEGREES AWARDED

The total number of associate's degrees conferred in the State of New York rose from 31,000 in 1970-71 to almost 48,000 in 1975-76, an increase of more than 50 percent in five years.[29]

However, when Bundy aid is discussed, we must keep in mind that the independent two-year colleges have never been large in number or size; moreover, many of them are specialized in mission and program, and they have addressed their curricula to limited student constituencies. Only a few of the senior independent institutions continue to offer two-year programs leading to associate's degrees.

The public institutions of New York were dominant in the establishment of two-year programs leading to the associate's degree. The 30 upstate community colleges and six agricultural and technical colleges of the State University have increased their production of associate's degree graduates by almost 50 percent in the five years, 1972-77. The eight community colleges of the City University of New York have had an even larger relative increase in degrees awarded, 64 percent during this period.[30]

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[28] Ibid.

[29] The Higher Education System in New York State, p. 34.

[30] Ibid.

BACCALAUREATE DEGREES AWARDED

The annual number of baccalaureate degree recipients has increased by 18 percent from 1970 to 1977. Commensurate with its rapid growth in undergraduate enrollment, the State University increased its annual conferral of bachelor's degrees by 40 percent to a 1976 level of over 25,000 per year. This amounts to 30 percent of the total number of bachelor's degrees granted in the state, compared to 20 percent for the City University of New York and 50 percent of the independent institutions. The City University has increased the number of degrees awarded by 25 percent from 1970-71 to 1975-76, while the independent institutions have increased these awards by five percent.[31]

As the relative proportions of undergraduate enrollment shifted toward the public sectors, so did degree output. In the five years between 1970-71 and 1975-76, S.U.N.Y.'s share of bachelor's degrees increased by five percentage points, C.U.N.Y.'s share by one point. The independent sector's share fell by six points. Nevertheless, the independent institutions continue to confer almost 50 percent of all baccalaureate degrees in the state even though their share of full-time undergraduate enrollments has fallen to only one-third of the total.[32]

The senior institutions of the State University maintain a fairly high ratio of graduates to enrollment, perhaps attributable in significant part to their increased enrollment of transfer students from the community colleges. The independent institutions maintain a similar high ratio of graduates to enrollment, indicating a satisfactory retention rate between the first and fourth years of undergraduate study, but aided as well by the enrollment of transfer students from two-year institutions. The senior institutions of the City University have a lower ratio of graduates to total enrollment, undoubtedly attributable, in recent years, to its open admissions policy and a consequent lower overall retention rate.[33]

MASTER'S DEGREES AWARDED

The number of master's degrees granted by the state's institutions has increased even more rapidly than did that of

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[31] _Ibid._, p. 38.

[32] _Ibid._

[33] _Ibid._

TABLE 16

ASSOCIATE DEGREES GRANTED BY SECTOR: 1970-71 to 1975-76

Sector	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76*
State University of New York						
Four-Year	139	150	155	291	286	304
Two-Year	20,445	23,358	25,154	27,020	28,634	30,093
Total SUNY	20,584	23,508	25,309	27,311	28,920	30,397
City University of New York						
Four-Year	300	276	244	263	338	267
Two-Year	6,106	7,035	8,335	9,286	9,653	9,982
Total CUNY	6,406	7,311	8,579	9,549	9,991	10,249
Regents External Degree Program	-	-	413	812	1,088	936
Independent						
Four-Year	2,001	1,926	1,759	2,242	2,148	2,277
Two-Year						
Traditional	2,022	1,900	2,479	2,646	2,590	2,227
Degree Program	-	-	1,441	1,374	1,606	1,793
Total Independent	4,023	3,826	5,679	6,262	6,344	6,297
All Institutions						
Four-Year	2,440	2,352	2,158	2,796	2,772	2,848
Two-Year	28,573	32,293	37,822	41,138	43,571	45,031
Total New York State	31,013	34,645	39,980	43,934	46,343	47,879

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* Data for 1975-76 are preliminary counts.

SOURCE: The Higher Education System in New York State, p. 35.

TABLE 17

BACHELOR'S DEGREES GRANTED BY SECTOR: 1970-71 to 1975-76

Sector	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76*
State University of New York						
Number	18,279	21,836	24,015	25,173	24,393	25,585
Percent	25.4	27.8	29.2	30.0	29.5	30.2
City University of New York						
Number	13,745	15,326	15,857	16,600	16,769	16,915
Percent	19.1	19.5	19.3	19.8	20.2	20.0
Regents External Degree Program						
Number	-	-	-	-	90	296
Percent	-	-	-	-	.1	.3
Independent						
Number	33,993	41,369	42,311	42,108	41,558	41,962
Percent	55.5	52.7	51.5	50.2	50.2	49.5
All Institutions	72,017	78,531	82,183	83,881	82,810	84,758
Number	72,017	78,531	82,183	83,881	82,810	84,758
Percent	100.0	100.0	100.0	100.0	100.0	100.0

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* Preliminary count.

SOURCE: The Higher Education System in New York State, p. 37.

bachelor's degrees. By 1975-76 the number of master's degrees conferred reached 40,000, an increase of 40 percent over the number awarded in 1970-71. It is of interest, also, that the number of such degrees is now about 47 percent of the number of bachelor's degrees conferred, in contrast to a ratio of 41 percent only five years ago.[34]

The State University has increased its conferral of master's degrees by 41 percent and the independent institutions by 35 percent over the five years between 1970-71 and 75-76, with the City University increasing its awards by 30 percent. Proportional to their share of graduate enrollments, the independent institutions confer almost two-thirds of all master's degrees with their share varying modestly from year to year, but maintaining this level.[35]

DOCTORAL AND FIRST PROFESSIONAL DEGREES AWARDED

As one moves from the undergraduate level through the doctoral and professional degree level, the role of the independent institutions becomes more prevalent. While these institutions confer 50 percent of the bachelor's degrees and almost two-thirds of the master's degrees, they grant more than 70 percent of all doctoral degrees and 82 percent of first professional degrees (medicine, dentistry, law, etc.)[36]

The increasing work load and activity in graduate education relative to undergraduate education is evident in the fact that, for the state as a whole, the number of bachelor's degrees conferred annually increased by 18 percent from 1970-71 to 1975-76, while the number of master's degrees increased by 35 percent and that of doctoral degrees and first professional degrees by 25 percent. In the latter two categories, the independent institutions have retained their high proportion of total degrees conferred. The City University of New York, with few and small programs leading to the doctorate, has more than doubled its degree output in the four years between 1970 and 1974, but in 1975-76 conferred only 224 doctoral degrees, or six percent of the total. The State University confers more than one-fifth of all doctoral degrees in the state, a ratio which has increased by five percentage points from 1970-71 to 1975-76.[37]

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34 Ibid., p. 39.

35 Ibid.

36 Ibid.

37 Ibid.

TABLE 18

MASTER'S DEGREES GRANTED BY SECTOR: 1970-71 to 1975-76

Sector	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76*
State University of New York						
Number	5,500	6,258	7,247	7,576	7,809	7,733
Percent	18.5	18.8	20.1	20.6	20.2	19.2
City University of New York						
Number	5,087	6,001	6,177	6,122	6,564	6,611
Percent	17.1	18.0	17.1	16.7	17.0	16.4
Independent						
Number	19,143	20,993	22,675	22,991	24,319	25,860
Percent	64.4	63.1	62.8	62.7	62.9	64.4
All Institutions						
Number	29,730	33,252	36,099	36,689	38,692	40,204
Percent	100.0	100.0	100.0	100.0	100.0	100.0

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* Preliminary count.

SOURCE: The Higher Education System in New York State, p. 40.

TABLE 19

DOCTORAL DEGREES GRANTED
BY SECTOR: 1970-71 to 1975-76

Sector	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76*
State University of New York						
Number	598	671	796	745	748	821
Percent	17.8	18.7	20.1	20.2	21.7	22.8
City University of New York						
Number	94	135	150	151	184	224
Percent	2.8	3.8	3.8	4.1	5.3	6.2
Independent						
Number	2,665	2,789	3,007	2,784	2,519	2,559
Percent	79.4	77.6	76.1	75.7	73.0	71.0
All Institutions						
Number	3,357	3,595	3,953	3,680	3,451	3,604
Percent	100.0	100.0	100.0	100.0	100.0	100.0

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* Preliminary count.

SOURCE: The Higher Education System in New York State, p. 41.

TABLE 20

ANNUAL PERCENT CHANGE IN DEGREES GRANTED BY DEGREE BY SECTOR: 1970-71/1971-72 to 1974-75/1975-76

Degree/ Sector	1970-71/ 1971-72	1971-72/ 1972-73	1972-73/ 1973-74	1973-74/ 1974-75	1974-75/ 1975-76	1970-71/ 1975-76
Bachelor's						
State University	19.5%	10.0%	4.8%	(3.1)%	4.9%	40.0%
City University	11.5	3.5	4.7	1.0	.9	23.1
Independent	3.4	2.3	(.5)	(1.3)	1.0	4.9
Regents External Degree	-	-	-	-	228.9*	-*
Total Bachelor's	9.0	4.7	2.1	(1.3)	2.4	17.7
First Professional						
State University	7.8	14.2	(6.1)	4.9	18.2	43.5
Independent	9.5	13.2	1.3	5.6	4.5	38.6
Total First-Professional	9.2	13.3	.1	5.5	6.7	39.4
Master's						
State University	13.8	15.8	4.5	3.1	1.0	40.6
City University	18.0	2.9	(.9)	7.2	.7	30.0
Independent	9.7	8.0	1.4	5.8	6.3	35.1
Total Master's	11.8	8.6	1.6	5.5	3.9	35.2
Doctoral						
State University	12.2	18.6	(6.4)	.4	11.0	37.3
City University	43.6	11.1	.7	21.9	21.7	138.3
Independent	4.7	7.8	(7.4)	(9.5)	1.6	(4.0)
Total Doctoral	7.1	10.0	(6.9)	(6.2)	4.4	7.4

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* Regents conferred first external bachelor's degrees in 1974-75 with 90 in that year, 296 in 1975-76.

SOURCE: The Higher Education System in New York State, p. 43.

Finally, one must note that the total number of doctorates conferred annually has decreased from the level of 1972-73. A major contributing factor to this trend may be the current oversupply of those holding a Ph.D. degree in relation to the lessening demand and prospective decline in demand for them from academic institutions. Many candidates for the degree may have chosen to halt their pursuit of it and seek alternative careers. This type and level of education is one to be watched over the next few years in terms of its impact upon the graduate institutions.

In contrast to the record on academic doctoral degrees in recent years, the number of students pursuing first professional degrees (medicine, dentistry, law, etc.) has continued to grow. The independent institutions conferred 39 percent more such degrees in 1975-76 than they did five years earlier. The professional schools of the State University have also increased the number of professional degrees they granted by more than 40 percent. The City University of New York operates no programs leading to degrees in this category. As previously stated, the independent institutions are dominant in this field; most of their professional schools have been founded many years ago, while those of the State University have either been acquired or established only in the past 20 years. The relative shares of the two sectors have changed little over the past five years.[38]

FACTS AND FIGURES

TABLE 21

BUNDY AID FROM FIRST YEAR TO 1976-77

Degree	1969-70 to 1972-73	1973-74 to 1975-76	1976-77
Associate's*	-	$ 300	$ 330
Bachelor's	$ 400	800	940
Master's	400	600	650
Doctoral	2,400	3,000	3,100

* Two-year colleges only.

SOURCE: _Bundy Aid Program_, p. 1.

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[38] _Ibid._, p. 40.

When funds were first distributed in the Bundy plan (1969-70), 57 colleges and universities had established eligibility. $25.5 million in total payments were made. By fall of 1976, 91 institutions became eligible to receive Bundy aid totaling $65.6 million for the academic year.

TABLE 22

NUMBER OF INSTITUTIONS ELIGIBLE FOR BUNDY AID AND TOTAL PAYMENTS FOR 1969-70 THROUGH 1976-77

Academic Year	Eligible Institutions	Total Payments (Millions)
1969-70	57	$25.5
1970-71	60	26.1
1971-72	72	29.3
1972-73	79	31.7
1973-74	88	56.3
1974-75	90	56.1
1975-76	90	56.1
1976-77	91	56.6

SOURCE: Bundy Aid Program, p. 2.

The reason that only 57 institutions were eligible for Bundy aid in 1969-70 was largely due to a state constitutional restriction of funds to universities teaching sectarian or religious subjects. According to the State Education Department,

> The state constitution restriction, repeated in the law, on disbursement of state funds to institutions under the control or direction of a denomination or engaged in the teaching of denominational doctrine or tenet, proved a barrier to the eligibility of a number of the 100 institutions which were potentially eligible in 1969. In keeping with the trends of the times, many institutions have moved gradually away from denominational affiliations

> and dropped certain activities and attributes of a sectarian nature.[39]

Other restrictions were placed on colleges and universities seeking Bundy aid. Another requirement was that institutions be "non-profit" and incorporated by the Regents or the Legislature.

"The Rules of the Board of Regents" require accreditation by an appropriate nationally recognized accrediting association. This has led many institutions to receive accreditation and as of 1977, several others are seeking accreditation so that they will be able to apply for Bundy aid. However, many institutions do not wish to change their curriculum or teaching methods and are willing to remain ineligible for the Bundy money.[40]

The State Education Department reports that:

> Though institutions report annually on how the Bundy aid funds are used, there are no obvious patterns of the use of these funds among all institutions. Most institutions tend to use Bundy aid as unrestricted revenue, and it comprises but one of several sources of financing at the level of expenditures authorized by each institution's trustees. It is apparent, however, that these funds are important to many institutions for enriching programs and reducing current operating deficits.[41]

Like business in general, higher education gets no relief from inflation, and this inflation among independent universities exists throughout the entire nation.

> There is no evidence that Bundy-aided institutions have been able to hold tuition and fee increases at lower levels than out-of-state institutions. Between 1969 and 1976 the average annual increase for tuition and fees for all Bundy institutions was approximately 8%, which is comparable to national averages for independent institutions.[42]

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[39] Bundy Aid Program, p. 2.

[40] Ibid., p. 3.

[41] Ibid.

[42] Ibid.

Nevertheless, it must be acknowledged that Bundy aid does give some relief to independent universities. While at present no other plan has been adopted, although many have been proposed, the Bundy program's benefits are real and help to hold down costs to the student.

DIRECT SUBVENTION - HISTORY

There have been times in the past where there was direct funding to aid an institution.

The practice of giving direct grants to independent institutions was widespread in the early colonial and post-Revolutionary days. In recent years Pennsylvania has given more public funds to a wider variety of private institutions than any other state. According to Berdahl in Statewide Coordination of Higher Education, it has never founded a "state university," preferring instead to grant heavy subsidies to Pennsylvania State University (an independent university designated as the state's land-grant institution). State grants went also to a number of other independent institutions - including the University of Pennsylvania and many denominational colleges - until 1921, when a state court decision blocked direct aid to church-related institutions. In the 1960's Pittsburgh and Temple Universities joined Penn State as "state-related" institutions, receiving, for example, $25 million in 1967-68 in exchange for holding down tuition charges to Pennsylvania residents. The Master Plan of 1965 suggested the rationalization of state aid to other institutions by creating a "state-aided" category which would allow a $5,000 per doctoral student subsidy.[43]

New York rarely gave direct aid to independent institutions. However, to save the financially troubled Polytechnic Institute of New York, it intervened. Let us look at the events that led up to the situation.

POLYTECHNICAL INSTITUTE - HISTORY[44]

In 1853 the Polytechnic Institute of New York was founded and on May 17 articles of association were drawn up and adopted by a distinguished group of Brooklyn burghers.

The first meeting of the Board of Trustees of the Institute was attended by 14 men and represented by the city's largest industries. Their first act in January, 1854, was to purchase land adjoining the Dutch Church south of City Hall,

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[43] Berdahl, op. cit., p. 209.

[44] Pr. George Bugliarello, Toward the Technological University, pp. 5-36.

TABLE 23

PERCENT DISTRIBUTION OF BUNDY AID BY INSTITUTIONAL TYPE

	Number Listed	1973-74 (Percent)	1974-75 (Percent)	1975-76 (Percent)	1976-77 (Percent)
Multiversities	5	39.0%	37.3%	35.5%	34.3%
Universities	5	18.5	19.0	18.8	18.9
College Complexes	24	18.1	18.3	18.9	19.3
Colleges	31	8.2	8.9	9.5	10.0
Specialized Colleges	11	4.6	5.0	5.2	5.0
Health Sciences Centers	8	2.0	2.0	2.8	2.3
Engineering & Technical Schools	9	9.6	9.5	9.3	10.2
TOTAL	93	100.0%	100.0%	100.0%	100.0%

SOURCE: Bundy Aid Program, p. 5.

TABLE 24

BUNDY AID ELIGIBILITY STATUS OF HIGHER INSTITUTIONS
July 1977

	Type of Institution		
	4 or More Years	2-Year	Total
Potentially eligible(1)	100	15	115
Now eligible(2)	84	7	91
Declared ineligible and remaining so(3)	5	3	8
Now seeking eligibility(4)	1	0	1
Have not applied(5)	10	5	15

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(1) Not included are 16 seminaries and divinity schools, 3 schools of nursing awarding the associate degree but not presently incorporated by the Regents or the Legislature and a new college (Boricua).

(2) See Appendix for listing.

(3) Institutions declared ineligible and remaining so:

4-Year

Institute for Advanced Studies
Kings College
LeMoyne College
Molloy College for Women
Niagara University

5

2-Year

Academy of Dramatic Arts
College for Human Services
Harriman College

3

(4) New York Chiropractic College.

(5) Institutions who have not applied:

4-Year

Cathedral College
Concordia College
Friends' World College
Houghton College
New York School for Interior Design
Nyack College
St. John's University
School of Visual Arts
Roberts Wesleyan
Wadhams Hall

10

2-Year

Maria College
Maria Regina College
Mater Dei College
Paul Smith's College
Trocaire

5

SOURCE: Bundy Aid Program, p. 4.

TABLE 25

PAYMENTS TO NON-PUBLIC HIGHER INSTITUTIONS UNDER BUNDY PROGRAM*
1973-74 to 1976-77

	Academic Years			
Institution/Type	1973-74	1974-75	1975-76	1976-77
Multiversities				
Columbia University	$ 4,555,800	$ 4,445,000	$ 4,193,000	$ 4,669,520
Cornell University (Endowed)	3,051,000	3,155,800	3,019,600	3,522,920
New York University	7,764,700	7,116,800	6,558,200	7,504,380
Syracuse University	4,416,000	4,137,600	4,108,200	4,566,160
University of Rochester	2,145,000	2,079,600	2,006,600	2,213,740
TOTAL of 5	$21,932,600	$20,934,800	$19,885,600	$22,476,320
Universities				
Adelphi University	1,576,400	1,662,000	1,775,600	2,201,160
Fordham University	2,442,600	2,631,000	2,626,400	3,076,620
Hofstra University	2,049,600	2,051,200	1,993,400	2,226,230
Long Island University	3,420,800	3,140,800	3,122,000	3,739,060
Yeshiva University	911,800	1,167,000	1,042,800	1,170,120
TOTAL of 5	$10,401,200	$10,652,000	$10,560,200	$12,413,190
College Complexes				
Alfred University	279,000	302,000	313,400	386,090
Barnard College	389,600	397,000	396,000	447,300
Canisius College	589,400	632,200	603,000	708,020
Colgate University	443,800	525,400	461,200	650,800
D'Youville College	232,000	205,600	215,200	193,640
Elmira College	464,400	473,400	486,600	532,650
Hamilton College	188,000	180,800	162,400	220,900
Hartwick College	306,400	240,000	252,800	291,400
Hobart & William Smith Colleges	224,800	287,200	277,600	328,060
Iona College	653,600	633,200	707,600	931,660
Ithaca College	749,800	688,000	730,600	851,880
Manhattan College	791,400	730,200	676,400	752,260

TABLE 25 (Cont.)

Institution/Type	Academic Years 1973-74	1974-75	1975-76	1976-77
College Complexes (continued)				
Manhattanville College	343,600	306,800	315,200	323,620
New School for Social Research	425,200	412,400	427,600	419,980
Pace University	1,159,600	1,222,800	1,262,400	1,622,040
Russell Sage College	399,400	489,800	432,600	501,910
St. Bonaventure University	-	-	439,400	498,600
St. Lawrence University	416,600	469,600	433,600	510,160
Sarah Lawrence College	190,200	190,800	203,000	272,920
Skidmore College	371,200	360,800	354,400	419,240
Union College	508,800	536,400	464,400	590,790
Vassar College	383,200	395,800	424,200	567,900
Wagner College	489,000	463,000	447,400	551,880
Wells College	133,400	96,000	89,000	102,460
TOTAL of 24	$10,132,400	$10,239,800	$10,576,400	$12,676,160
Colleges				
Bard College	109,600	115,200	120,000	133,480
Bennett College	40,500	42,600	33,000	27,390
Briarcliff College	60,800	69,600	40,000	62,040
Cazenovia College	60,300	53,100	41,400	38,280
College of Mt. St. Vincent	-	160,000	161,000	180,480
College of New Rochelle	231,400	334,600	445,400	636,870
College of St. Rose	324,800	280,600	377,000	396,650
College of White Plains	86,400	92,000	90,400	-
Daemen College	244,800	190,400	170,400	219,960
Dominican College of Blauvelt	-	92,000	84,000	182,360
Dowling College	300,000	316,000	324,000	452,490
Eisenhower College	95,200	126,400	114,400	110,920
Elizabeth Seton College	43,800	39,300	31,500	35,640
Hilbert College	-	-	-	44,220
Keuka College	123,200	101,600	107,200	115,960
Kirkland College	97,600	109,600	116,000	137,240
Ladycliff College	65,600	72,800	92,000	102,460
Marist College	289,600	319,800	262,200	355,520
Marymount College	212,000	212,000	189,600	182,360

TABLE 25 (Cont.)

Institution/Type	Academic Years 1973-74	1974-75	1975-76	1976-77
Colleges (continued)				
Marymount Manhattan College	320,000	276,800	309,600	296,900
Medaille College	83,200	92,000	70,400	74,260
Mercy College	318,400	334,400	375,200	465,300
Mt. St. Mary College	158,400	108,800	140,000	151,340
Nazareth College	251,000	323,000	372,200	514,590
St. Francis College	362,400	330,400	400,000	542,380
St. John Fisher College	240,000	246,400	233,600	320,540
St. Joseph's College	109,600	118,400	116,000	171,080
St. Thomas Aquinas College	120,800	117,600	128,000	174,840
Siena College	284,800	319,200	392,800	401,380
Touro College	-	-	-	NA
Villa Maria College	-	-	-	39,930
TOTAL of 31	$ 4,634,200	$ 4,994,600	$ 5,337,300	$ 6,576,860
Specialized Colleges				
Albany Law School	121,800	121,800	120,000	147,550
Bank Street College of Education	93,600	90,600	127,800	108,550
Brooklyn Law School	243,000	236,400	249,000	224,250
College of Insurance	55,800	66,000	62,600	83,940
Culinary Institute	150,000	215,400	273,000	208,890
The Julliard School	140,000	160,400	159,600	200,290
Manhattan School of Music	133,600	143,600	103,800	137,390
Mannes College of Music	-	-	40,000	28,200
New York Law School	150,000	147,000	118,800	133,900
Parsons School of Design	74,400	69,600	79,200	146,640
Teachers College (Columbia)	1,452,200	1,563,600	1,601,400	1,845,000
TOTAL of 11	$ 2,615,000	$ 2,814,200	$ 2,935,200	$ 3,264,600
Health Sciences Centers				
Albany College of Pharmacy	58,400	70,400	84,800	94,940
Albany Medical College	189,000	225,000	324,400	286,500
Brooklyn College of Pharmacy	76,400	94,800	109,000	175,890
College of Pharmaceutical Sciences	62,600	50,200	55,000	-
Mt. Sinai School of Medicine	69,000	87,000	108,000	151,900

TABLE 25 (Cont.)

Institution/Type	Academic Years			
	1973-74	1974-75	1975-76	1976-77
Health Sciences Centers (continued)				
New York College of Podiatric Med.	159,000	126,000	159,000	182,900
New York Medical College	432,600	387,600	757,200	530,250
Rockefeller University	81,000	45,000	60,000	52,700
TOTAL of 8	$ 1,128,000	$ 1,086,000	$ 1,557,400	$ 1,475,080
Engineering and Technical Schools				
Academy of Aeronautics	78,000	62,400	45,600	39,600
Clarkson College	612,000	595,600	535,400	590,970
Cooper Union	218,600	166,400	189,000	260,280
New York Institute of Technology	642,400	664,600	712,000	1,235,620
Polytechnic Institute of New York	716,600	701,800	761,800	916,030
Pratt Institute	763,800	812,400	776,400	896,250
Rensselaer Polytechnic Institute	1,320,600	1,226,600	1,077,800	1,292,080
Rochester Institute of Technology	1,041,800	1,153,200	1,106,800	1,444,440
Webb Institute of Naval Architecture	16,800	10,400	16,000	15,980
TOTAL of 9	$ 5,410,600	$ 5,393,400	$ 5,221,400	$ 6,691,250
GRAND TOTAL of 93	$56,254,000	$ 6,115,000	$56,073,500	$65,573,460

* The amounts reported are for the academic year, September-June. The exact amounts which were received by some institutions may have differed slightly from those shown, owing to corrections and adjustments made during succeeding years. Finch and Mills Colleges, which ceased operations in 1974-75, are not included. Institutions becoming eligible in this period are College of Mt. St. Vincent 1974-75, St. Bonaventure University and Mannes College of Music 1975-76 and Villa Maria College, Touro College, Hilbert College 1976-77.

SOURCE: Bundy Aid Program, pp. 6-9.

and within two months contracts were concluded to erect a building designed by F. A. Peterson.

In March, 1854, a circular was published and distributed to the stockholders requesting subscriptions to meet construction costs and stating the aims of the school.

Building and furnishing were provided by the stockholders. Sizeable amounts pledged during the organization period did not materialize when called, and it became necessary for the Trustees to mortgage the property for $20,000 in order to complete the building.

The first few years saw elementary and high school courses being offered in the curriculum.

By 1864 the new President, Dr. Cochran, reorganized the structure of the Institute and raised the fees, moves which anticipated by two years the Board's announcement of plans to "extend the course of instruction in higher science, chiefly in Civil Engineering and Mining." Goedetic Engineering and Mechanical Engineering were added to the scientific and liberal courses in 1866.

In 1867 the subject matter of the science course was expanded, the most extensive change taking place in the Physical Science Department, which now was to include Theoretical and Applied Physical Science, Practical Chemistry, Geology, and Mineralogy. To the fieldwork and excursions were added laboratory practice in Qualitative Analysis of Inorganic Compounds, the Assay of Ordinary Ores: iron, lead, copper, silver, and gold, and a year or so later, toxical examinations and commercial testing of paints, drugs, and medicines. Applied Physical Science was included as an option for able students. The following year, the Department of Mathematics was divided into Pure and Applied Mathematics.

While the curricula were expanding during the first four years of Dr. Cochran's presidency, the Administration made plans not only to erase debt but also to enlarge the building by the addition of a rear section, completed in 1870. Provision was made in the expanded facilities for additional laboratory space and for an improved gymnasium. It should be noted here that, not unlike today, the Institute's primary source of income was tuition. Some state aid was obtained for the Literature Fund, restricted to payment of teachers' salaries and from the Library and Apparatus Fund, which matched amounts raised by the college specifically for books and equipment.

By 1868 the Regents granted authority for the Institute to grant degrees. The first graduation exercises were held in June of 1871, with the degrees conferred by the Chancellor of the University of the State of New York, assisted by the President of the Institute.

By 1870 the mortgage and floating debt had been paid off and surplus funds invested each year thereafter for future development. In 1878 the Board noted:

> Extension of the course of study and elevation of the grades has involved large expenditures for instruction. The policy was adopted and proclaimed 14 years since by the trustees that it was their wish to raise the standards of the school as high as it could be carried by the use of its earnings. The Faculty have borne this in mind and from year to year have extended the course as in their judgement the condition of the school warranted. They now have the satisfaction of feeling that the Polytechnic is giving a more extended and complete course of instruction than is given by any other institution which is self-sustaining in the world.[45]

This policy of financing the school exclusively through tuition, and later also through research - valid perhaps at the time, for it did provide high value for low expenditure - was to prove nearly fatal by the 1970's, when it became apparent the Institute was incapable of continuing without substantial endowment.

PINY GRANT

Polytechnic continued to grow throughout the twentieth century while expanding both its curriculum and overall student population.

However, the 1960's proved to be hard times for Polytechnic and were to see an exacerbation of the intrinsic contradictions at Polytechnic between quality and limited resources. In 1965, the Institute was selected as a National Science Foundation Center for Excellence, and during a five-year period some $5 million was invested in new teaching and research faculty and new laboratories. Funds for this purpose terminated in 1970, at a period when Polytechnic had added considerably to the teaching staff, while losing many of her new students because of the national decline of interest in engineering studies. This was a crucial moment for the Institute, one in which it appeared to some that Polytechnic might do best to close its doors.[46]

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[45] Ibid., p. 16.

Meanwhile, a parallel development was taking place within a sister institution. By 1972 it became clear to President Hester of New York University that it would be forced to close the NYU campus in the Bronx and consolidate the University in Washington Square. In May 1973 the Bronx campus was sold, which meant that the New York University School of Engineering and Science, which was housed there and, like Polytechnic, had been founded in 1854, was to be disbanded. It was at this time that the state stepped forward and proposed a merger between two financially ailing institutions.[47] The merger of the engineering enterprises of the schools completed in the fall of 1973.

The New York Times reported the merger.

> An agreement has finally been reached to merge New York University's School of Science and Engineering into the Polytechnic Institute of Brooklyn; a step that offers hope of heightened prestige and perhaps even long-range solvency for the Brooklyn school.[48]

The effect of the merger was immediate: the new Institute, called Polytechnic Institute of New York, joined faculties and students, while the state provided some financial assistance under stringent terms - to be terminated in 1975.

Mergers have occurred before in American higher education, but this one was a pioneering effort, in that it merged two faculties with similar rather than complementary characteristics. The merger agreement mandated that all academic administrative posts be subject to search at once, including the Provost, deans and heads of departments - an unprecedented process in American higher education. In the meantime, student recruitment had to be intensified, research contracts sought, the most stringent economies practiced, and the Farmingdale, Long Island, campus prepared for the reception of undergraduates by the fall of 1974. During this process, it became painfully clear that the Institute was seriously in need of a sizeable endowment and that this had to become the uppermost consideration of the Corporation of the new Polytechnic.[49]

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[46] Ibid., p. 30.

[47] Ibid.

[48] Evan Jenkens, "Brooklyn Poly Merger is Detailed," New York Times, p. 87.

[49] Bugliarello, op. cit., p. 31.

We can note that without the state's direct intervention, Polytechnic's future would have been hazardous. However, the merger and state aid were able to create a truly unique opportunity, for the Institute was now in a position to build on the historic strengths of its predecessors and to develop for the first time in the New York metropolitan area the technological university which surprisingly it has lacked throughout its history. The consolidation created a technological institution with the highest engineering enrollment in the City and State of New York, the highest engineering enrollment of any private, independent college in the country, and with the highest engineering graduate enrollment of any American university. Further, the new Institution now had the "critical mass" not only to enhance the excellent areas for which it is famous but also to branch out into much needed new fields.[50]

The state aid that was received by the University also aided in securing grants because it made the Institute more financially sound. According to Polytechnic sources, they received the following direct unrestricted aid through the State Legislature: 1974-75 - 2 million; 1975-76 - .75 million; 1976-77 - .75 million; and 1977-78 - .90 million.

> In the first year after the merger, Polytechnic was aided in its development by two generous grants: The Carnegie Corporation, repeating a pattern started 75 years ago, provided $360,000 for planning, while the A. W. Mellon Foundation gave $475,000 to assist in the development of new approaches to the interface of engineering and the natural and physical sciences with the humanities and social sciences.[51]

Other grants and aid allowed the University to get back on its feet and subsequently to flourish and expand.

"Polytechnic's current progression is a testimonial to the vitality of the new Institute, to the combined strength of two of New York's technological institutions."[52]

We can note how direct aid by the State of New York allowed a faltering institution to regain its former vitality and continue to operate.

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[50] Ibid.

[51] Ibid., p. 32.

[52] Ibid., p. 36.

OTHER IDEAS ON STATE FINANCIAL AID

Several plans have been outlined by various people to create a more equitable system between state and private universities.

The summer 1977 issue of the Carnegie Quarterly contained an article, "Shifting State Aid from College to Student: A New Plan for Higher Education," which showed a unique approach in financing higher education.

In 1972, the New Jersey Commission on Financing Postsecondary Education, an independent study group appointed by the state's Board of Education and partially supported by Carnegie Corporation, set out to examine the system for financing higher education that had evolved during the heady, expansionist years of the sixties. Its mission was to come up with recommendations for changes that would better suit the no-growth conditions of today.[53]

The 15-person Commission advocates a shift from state aid to institutions to state aid to students. According to this proposal, the financing of higher education would move toward a "market system" in which tuition would make up a large portion of the cost of education, and public and independent colleges would have to compete for students.[54]

As stated previously, state legislators have long appropriated directly to state colleges and universities as a way of supporting the education of state residents. This allowed that sector higher education to expand while holding down the cost of tuition. However, as costs have skyrocketed and students have become more selective in choosing colleges, the Commission feels that the traditional financing system may no longer serve the prime tasks for colleges and universities today - to manage funds more effectively and at the same time offer high-quality programs.

> It is the Commission's reasoning that if colleges and universities had to compete for students receiving state aid directly, they would develop better educational programs. 'This would end,' says the Commission's chairman, Edward E. Booker, 'the

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[53] Haskel Rhett, "Shifting State Aid from College to Student: A New Plan for Higher Education," Carnegie Quarterly (Summer, 1977), p. 3.

[54] Ibid., p. 4.

> lackadaisical attitude of state institutions that assume they will get aid no matter what.' Such a plan would also improve students' financial ability to attend post-secondary institutions, expand their range and choice of colleges, and promote a more equitable sharing of educational costs.[55]

An interesting thought, outlined earlier, was expressed by the Commission.

> A survey undertaken by the Commission shows that if the price of education were not a factor, New Jersey's young people would select private institutions over state colleges in overwhelming numbers. The cost to an institution of educating a student is similar at public and private colleges, but tuition is at the latter three to five times higher because they are not subsidized by public funds. The current financing system thus drives most students into public higher education. And if, as expected, college enrollments continue to decline, some private institutions may have to close, forcing even more students into the tax-supported system. Public institutions would then have to expand and, ultimately, the taxpayer would pay that expansion.[56]

The Commission would like to see a new plan, one that might be less costly to the state than the present system. "Since it supports individuals, the state will not be locked into giving the same or more money to institutions every year even if they educate fewer students. According to Ralph Dungan, New Jersey's Chancellor of Education at the time the Commission began, 'These recommendations warn colleges that they must compete for students or go out of business.'"[57]

The Commission's emphasis on support of students rather than of institutions reflects existing federal financing programs. According to Clark Kerr, chairman of the Carnegie Council on Policy Studies in Higher Education, the plan is "a moderate step in the direction things are moving anyway."[58]

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[55] Ibid.

[56] Ibid.

[57] Ibid.

[58] Ibid.

Some well respected people in higher education have devised another alternative to financing higher education in New York State for the future.

Under current funding patterns in New York State, approximately 87 percent of total aid to higher edcuational institutions is in the form of direct institutional funding. The residual 13 percent is in the form of student financial aid. The proposed alternative, the Student Aid Voucher Plan, revises the balance of distribution such that nearly all dollars for higher education are distributed through a two-part student financial aid program.[59]

The Student Aid Voucher Plan, or "SAV", proposes to provide every eligible full - and part-time resident student two state-funded grants to attend the New York college or university of his or her choice: one would be based on entitlement, and the other on financial need. This funding would substantially replace the current practice of providing direct appropriation to institutions. To maintain their current level of funding, institutions would set a tuition level which would reflect the full cost of providing educational services.

The "SAV" Plan would motivate institutions to accept more students to increase their appropriations. Consequently, they would have to make the institution more attractive to potential students.

While these would be radical changes if the "SAV" plan was adopted, there are clearly some great advantages that would accrue.

1. It would reduce state and local expenditures for higher education by over $200 million by 1980-81.
2. It would double the number of taxpayers, parents, and students, who would benefit directly from higher education appropriations.
3. It would decrease barriers to cost which limit institutional choice and college access.
4. It would shift the burden of accountability for quality and cost of education to students, and
5. It would preserve the level of program diversity and quality of education needed in New York State for the future.

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[59] The Student Aid Voucher Plan was devised by well-regarded people in higher education. Their report is only in draft form at present; and they wish to remain anonymous at present. Therefore, no footnotes are available on the "SAV".

Four highlights of the Student Aid Voucher Plan are the following:

1. Tuition charged by all institutions in the state would be changed to reflect the full cost of providing educational and general services.

2. All state and local tax-levy funds currently being appropriated for higher education would be redistributed through a program for direct aid to students. Institutional aid, both independent (Bundy) and public, would be eliminated.

3. All eligible students (New York State residents enrolled in accredited programs) would be entitled to a Basic Grant, or a prorated grant for part-time status, and a Student Tuition Aid grant awarded on a sliding scale depending on the family income and need of the applicant.

4. Total aid would not exceed full-cost tuition or some state standard for full-cost tuition, whichever is less. The balance of full-cost tuition not covered by the Basic Grant or Student Tuition Aid would be paid from the student's own resources or Federal and/or institutional aid so that the full cost of operating an institution would be met.

Eligibility both for full- and part-time resident students means nearly 82 percent of the total student population or 892,000 students in 1976-77 would benefit directly from the "SAV" Plan. In contrast, TAP/Regents awards were received by roughly 45 percent-50 percent of the full-time resident student population (441,000 students) that same year. Part-time students are not eligible to receive TAP or Regents awards, which accounts for the magnitude of the difference in numbers of recipients under the two plans. Estimates of the numbers of eligible recipients are given for 1980-81 and 1984-85 in the chart.

Presently, TAP provides a maximum award of $1,500 for full-time undergraduate students that attend an independent institution, not to exceed actual tuition. Lower-income students receive substantial aid since all TAP awards are based on need. Middle-income students whose families fall in the $15 to $18,000 net taxable income bracket receive $100 or less in TAP aid and as a result, are "least able" to afford the college of their choice without incurring substantial debt or family hardships.

The "SAV" Plan would ease the tuition burden not only for low-income students but would give substantial aid to middle-income students. Given the "SAV" Plan tuition, costs are automatically reduced by nearly 1/3 to 1/2 for the latter group because of the Basic Grant. Any additional scheduled student financial aid only increases their ability to afford the college of their choice.

For the higher-income students, the Basic Grant reduces the burden of tuition, particularly where more than one individual in a family is attending college. In short, the best attribute of TAP/Regents awards is their demonstrated ability to increase the student's freedom of access and freedom of institutional choice by reducing the tuition differentials between sectors and institutions. "SAV" also does this but in amounts magnified by the ten-fold increase in student financial aid funding. In 1974, Tap/Regents was funded $109 million. In the same year, "SAV" would have been funded $1.393 billion.

"SAV" would extend student freedom to include "style of education" - either full-time or part-time. The system recognizes that the tuition aid does not relieve the full costs of education. For some students, the prorated aid may allow access to higher education thresholds or continuance via part-time attendance while the student continues with his or her employment either full- or part-time.

The "SAV" Plan would also have a positive impact for New York State taxpayers.

If the average "SAV" award per FTE remains relatively constant, then the declining enrollments projected for higher education in the 1980's can generate recurring annual reductions in total tax-levy expenditures for higher education by 12 to 15 percent. In dollars, this amounts to over $200 million each year by 1980-81 over the present projected budget for state aid to higher education.

As stated previously, the present system provides 75 percent of the current fund revenues for government-sponsored institutions so that those institutions can reduce tuition and attract students of all income levels. Higher-income students receive a "free-ride" at the expense of the lower-income taxpayers who provide the tax base for New York's government sponsored higher educational system. "SAV" would distribute all funds based on need, such that those with the ability to pay for higher education services are required to do so - resulting in a $200 million annual savings to the state.

The "SAV" Plan is a plus for the institution.

Increased tuition costs above the standard raises the cost of education to the student and decreases the attractiveness of the institution. This situation encourages the institution to justify the higher cost with some marketable mix of quality, program diversity, student services, housing, etc., or reduce unnecessary costs of operations to remain financially competitive. The net effect would be to pressure institutions to economize. The size of the institutions would be restricted by the number of students it serves and not politically defined geographic areas. By including appropriations for capital costs under the plan, institutions are encouraged to validate all expenditures (including capital expenditures) in relation to the tuition cost.

In a cost-centered plan such as "SAV", cost accounting is an integral step in preparing justification for full-cost tuition and the statewide tuition standards. Public financial reporting would be required by both the state and the institutions in greater detail than under present conditions.

"SAV" would promote the most efficient distribution of available resources since it places money where there is public need. However, government-sponsored institutions currently receive approximately 80 percent of higher education appropriations. This share would shift downward as shares of funding approximate shares of enrollment between public and independent institutions. In 1976-77, government-sponsored institutions enrolled 60 percent of the students; the independents, 40 percent.

An SED special staff report finds, "Public institutions would stand to lose considerable amounts of control in a system that removes a large portion of direct state funds."

Yet the system provides the additional aid to many hardpressed independent institutions:

> If private institutions are to remain a viable segment of New York's higher education system, the voucher system is a more appropriate approach to higher education finance than the present (institutional funding) system.

There are some independent institutions which have refused direct state aid because they believe such aid infringes on their autonomy and, in some cases, the separation of church and state doctrine under which these institutions continue to operate. These institutions currently accept indirect aid from the state as recipients of TAP-assisted tuitions. "SAV" is also an indirect form of aid to an institution. To the extent that "SAV" increases funds to students, the autonomy of independent institutions is unchanged.

We can note the several alternatives but only state action will result in any changes. Obviously, something must be done to aid the independent colleges to a greater extent. Moreover, while "SAV" has been proposed as an alternative, we must also take note that there are certain flaws in the proposal and these must be ironed out.

Perhaps the best plan would be some sort of compromise to allow higher education to flourish in New York.

CONCLUSION

We can note the various advantages and disadvantages of the program in effect today and some of those proposed for the future.

Robert Plane, chairman of CICU, states that the recent changes in the funding of higher education rest on three new assumptions.

> First, the state's higher education goals can be met just as easily in classrooms built at taxpayers' expense. Second, the need to conserve tax dollars compels the state to base its higher education planning on the total college resources available in the state. Otherwise, the taxpayer will be forever paying for duplicate programs. And third, the necessity to expand educational opportunity through the construction of new state systems is largely behind us.[60]

Plane goes on to state that the challenge for the future is to preserve the best features of both the public system and independent colleges. This will insure access for all, while maintaining a maximum of educational diversity to meet individual needs. Should there be a failure to maintain both sectors, costs to the taxpayer will rise and educational quality will suffer. However, well conceived student aid programs can insure a future in which the survival of each college is tied to educational quality, making our hybrid system even better.[61]

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[60] Robert A. Plane, "The New Push-Public Funds for Higher Education," The Christian Science Monitor (August 4, 1977), p. 25.

[61] Ibid.

APPENDIX

CALCULATING THE FINANCIAL AND "SAV" PROVIDED FOR STUDENTS

The table illustrates the impact of "SAV" for differing income levels of students at institutions charging varying full-cost tuition rates. (The figures are based on 1974-5 financial data developed in TABLE II.)

Part I: 4-year, special and graduate institutions

		Actual Tuition Rate		
	Calculating Remaining Cost for Full-time Student:	COLLEGE A: Full-Cost Tuition Equals Statewide Std.	COLLEGE B: Full-Cost Tuition Above Statewide Std.	COLLEGE C: Full-Cost Tuition Below Statewide Std.
1	Full-cost Tuition	$3,563	$4,000	$3,000
2	Less: BASIC GRANT	- 1,125	- 1,125	- 1,125
3	Net Full-cost Tuition	2,438	2,875	1,875
4	Less: STUDENT TUITION AID			
	Examples			
4.1	Lower income student	- 2,438*	- 2,438*	- 1,875**
4.2	Middle income student	- 1,125	- 1,125	- 1,125
4.3	Higher income student	0	0	0
5	Resulting TUITION GAP, or the remaining tuition to be paid from the student's own resources:			
	Examples			
3-4.1 = 5.1	Lower income student	0	437	0
3-4.2 = 5.2	Middle income student	1,313	1,750	750
3-4.3 = 5.3	Higher income student	2,438	2,875	1,875

* Not to exceed Statewide Standard for full-cost tuition.
** Not to exceed full-cost tuition charges by the institution.

Part II: Community Colleges

		Actual Tuition Rate		
		COLLEGE D: Full-cost Tuition Equals Statewide Std.	COLLEGE E: Full-cost Tuition Above Statewide Std.	COLLEGE F: Full-cost Tuition Below Statewide Std.
1	Full-Cost Tuition, Community College	$2,203	$2,800	$1,800
2	Less: BASIC GRANT	- 1,125	- 1,125	- 1,125
3	Net Full-cost Tuition	1,078	1,675	675
4	Less: STUDENT TUITION AID			
	Examples			
4.1	Lower income student	- 1,078**	- 1,675	- 675**
4.2	Middle income student	- 1,078**	1,125	- 675**
4.3	Higher income student	0	0	0
5	Resulting TUITION GAP, or the remaining tuition to be paid from the student's own resources:			
	Examples			
3-4.1 = 5.1	Lower income student	0	0	0
3-4.2 = 5.2	Middle income student	0	550	0
3-4.3 = 5.3	Higher income student	1,078	1,675	675

* Not to exceed Statewide Standard for full-cost tuition.

** Not to exceed full-cost tuition charges by the institution.

Case I:

Four-year College A charges tuition equal to the statewide standard of $3,563. A low-income student decided to attend this college. Under the "SAV" and under the present student aid program, TAP, the student would receive the following:

	"SAV"	TAP
Tuition Price	$3,563	$3,563
Basic Grant	1,125	none
Student Aid Award	2,438	1,500 (Maximum award)
Balance to be paid by student, or "The Tuition GAP"	$ 0	$2,063

Under the "SAV" plan the lower-income student is offered access to the college of his choice which he would otherwise be unable to afford. Under TAP his choice is to take out loans, consider a less costly institution, or not attend at all. The choice is then based on financial considerations and not quality of programs or occupational ambitions of the student.

Case II:

Community College E charges tuition of $2,800 or $597 more than the statewide standard of $2,203. A middle-class student whose parents earn a net taxable income of $12 to $15,000 decides to attend this college. He received a Basic Grant of $1,125 and based on need, some additional student aid, $1,125. The resulting tuition gap is only $550. This is $200 less than the $750 tuition he would pay to attend an upstate government-sponsored community college under the present system. Being a middle-class student under a present system, he received minimal tuition assistance and pays nearly the full-cost of tuition without any State or Federal assistance.

	"SAV"		TAP	
Tuition Price	$2,800	(full cost)	$ 750	(government sponsored)
Basic Grant	1,125			
Student Aid Award	1,125		110	(est.)
Balance to be paid by student, or "The Tuition Gap"	$ 550		$ 650	

Case III:

Awards to students would be paid not of any amount received from federal tuition assistance programs. For example, a low-income student, John Jones, receives $800 in tuition assistance from a federal aid program and $200 for living expenses. He is going to a four-year college charging tuition of $4,000 a year.

	"SAV"	TAP
Tuition Price	$4,000	$4,000
Net: Federal tuition assistance	800	800
Adjusted Tuition Price	$3,200	$3,200
Basic Grant	1,125	
Student Aid Award	2,075	1,500 (maximum TAP award)
Balance to be paid by student, or "The Tuition Gap"	$ 0	$1,700

The payments to John Jones under a "SAV" plan still does not exceed the statewide standard for full-cost tuition of $3,500. By offsetting the NYS awards by the amount of federal aid to students, the higher education aid can be extended to more students, or saved, as required.

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CHAPTER 5

CONDITIONAL INSTITUTIONAL FUNDING

Philip M. Iovino

OVERVIEW - NEW YORK STATE EDUCATION SYSTEM

It may on occasion be a trifle hard to remember that there are two great "academic states in New York, because the one is the only surviving municipal university of impressive size and scope in the United States. At least in a sense, the origin of the nucleus of what is now the City University of New York as a public high school in 1847 entitles it to be called the oldest public university in the state. Frequently in statistical reports within recent decades it has been listed as the nation's largest public university as measured by numbers of students enrolled; but such figures usually represent "headcounts" including all persons enrolled part-time as well as the full-time enrollment; and in the hugh city, such "part-timers" often constitute half or more of the total.

Famous Old City College has been the pride of the city for more than a century, as has Hunter College (dating from 1870 and long the Municipal Women's College counterpart of City College, which was for men; now both are coeducational). Other new four- and five-year college components include Brooklyn College, Queens College, Baruch College, Herbert H. Lehman College, York College, and other smaller specialized units. The university also includes a growing number of two-year or community colleges; it has a separate graduate center offering doctoral degrees in the arts and sciences; and it has a medical college component by virtue of a recent contractual cooperative arrangement with the privately incorporated Mt. Sinai Medical School and Hospital. The aggregate number of campuses is currently about 20. The organization of the existing complex under the name of the City University, of New York (CUNY) headed by a chancellor and central staff, dates only from 1961.

In contrast, The State University of New York (SUNY) is a larger conglomerate embracing some 30 campuses at various towns and cities in all parts of the state, all under the governance of the Board of Trustees of SUNY, which was set up in 1948 with an office at Albany, a chief executive officer now styled "Chancellor", and a large administrative staff.[1]

The Board of Trustees also has supervisory jurisdiction over some 30 local public two-year community colleges which are supported in part by counties and at least nominally governed by their own local boards of trustees.

The Board of Higher Education of the City of New York is legally an agency of the state, but it is also concurrently regarded as an arm of the City of New York. And is hence bedeviled by the complex-regulations in the City charter and ordinances, as well as those of the State statutes and the bureaucracy of the Executive Branch at the State Capital.

In Chapters 345 and 346 of the Laws of 1976, the State Legislature made a finding, among other things, that the City University is of vital importance to the city and state of New York and that the state should assume the responsibility for post-secondary education in the city beyond the associate degree as it does elsewhere in the state. These acts restructured the membership of the Board of Higher Education, effective July 1, 1976, to its present composition, and increased the role of the New York State Director of the Budget in the board's senior college budget process. They also established the temporary state commission on the future of post-secondary education in New York State which came to be known as the Wessel Commission.

Chapter 184 of the laws of 1977 authorized the Board to enter into an agreement with the Comptroller of the State of New York for the State Comptroller to provide the senior colleges with accounting, payroll, expenditure and revenue reporting services during the period July 1, 1977 to June 30, 1978. The board and the Comptroller of the State of New York have entered into an agreement pursuant to which the Comptroller of the State of New York will provide such services. Payroll services will be provided under the contract for the period January 1, 1978 through June 30, 1978. By resolution of the New York State Emergency Financial Control Board (The "EFCB"), effective for the City University's 1977-1978 fiscal year, senior college contracts which will be subject to pre-audit, encumbrance and payment by the New York State Comptroller will be exempt from review and approval by the EFCB.

The Commissioner of Education is the appointee of the Board of Regents of the University of the State of New York, an august body which traces its origin to 1784, and which once for a few years in the penultimate decade of the eighteenth century operated the precursor of what is now Columbia University (King's College, founded 1754) as a state institution, but soon turned it back to independent control.

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[1] M. M. Chambers, Higher Education and State Governments (Danville Illinois: The Inter State Printers & Publishers Inc., 1974), p. 173.

The statutory authority of the Regents is very broad, embracing general oversight of public and private educational institutions and agencies at all levels, including libraries and museums - and even the power to charter private colleges and schools, as well as to regulate the licensing of practitioners of the learned professions (except law), and subprofessional occupations. They are said to be the "governing board of the University of the State of New York," which, however, is not a university in the usual sense. This is a designation denoting the entire complex of educational institutions of all types and levels, after the fashion in which the word was used in Napoleonic France.

In relation to the broadly viewed educational activities of the state, the Regents may be said to be more of a top-level regulatory and planning body than a governing board in the modern sense; the functions of governing boards are performed for the two "academic states" respectively by the Board of Trustees for SUNY and the Board of Higher Education for CUNY. In their regulatory and supervisory functions, the Regents establish rules for the execution of the state's policies regarding education, and also deliberate upon and recommend broad educational policies to the Governor and the legislature. Once every four years the Regents receive from the two governing boards just named their plans for the next quadrennium, and after reviewing them either approve them or hold hearings and modify them, and finally embody them in the Regent's own comprehensive master plan for the expansion and development of higher education statewide, along with a corresponding document from the independent sector.

There are currently 15 members of the Board of Regents, each elected by the legislature in joint session, one each year, for terms of 15 years.

It is not possible to fit New York precisely into any category or grouping of states with respect to its structure for the relations between public higher education and state government. It is unique. However, there are some parallels between New York and California, the only other state of comparable population. Each has two university governing boards, each one at the head of a large multi-campus conglomerate.

Each has at the apex a "coordinating board," but here the contrasts are great. In New York, it is the Board of Regents, a long established, relatively powerful, and prestigious body, having broad regulatory powers usually outside the scope of such boards in other states, as well as the traditionally premier position in recommending statewide policies and plans. In

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California it is the comparatively less influential coordinating council for higher education, established by statute in 1960, and having no powers of mandate.[2]

THE ROLE OF THE STATE IN EDUCATION FINANCING

The role of New York State in the financing of higher education is a major one. Increasing federal aid notwithstanding the state government will continue to be the major source of funds for virtually all public institutions of higher education.

Even if federal aid to higher education grows by a large percentage it does not necessarily mean a proportionate decrease in state influence, since it has not yet been determined whether such federal aid would go directly to the institutions, directly to the students, or directly to the state.

If the state role in financing higher education were to diminish markedly all institutions public and private - would still have to function in a context of state law and state sovereignty. Thus, state policies and procedures in the areas of educational planning and institutional governance and coordination would still be of great interest to all higher education.

There is also considerable evidence that the misunderstandings which occasionally divide the general public and the academic world is reflected even more intensely at the state level of government than at the national.

The state's willingness to recognize the claims of academic freedom and procedural autonomy may be reinforced by the institutions' equal willingness to recognize the state's right to participate in some of the decisions regarding the substantive development of public higher education. The questions are: (1) which decisions? and (2) by what form of participation?

To keep the issue of state partnership in persepctive, one must realize that by far the majority of the decisions involved will pertain to new developments, from establishing campuses to creating degree programs. Normally, the agenda will center on questions as to which of the institutions' proposed programs are compatible with state interest, and which of the state's requests for assistance are compatible with the institutions' definition of their own purposes. Only rarely will ongoing programs be jeopardized in any way, beyond suffering the standstill budgetary consequence of being given low priority for expansion and improvement. In a few instances, the state has empowered agencies to recommend the elimination of existing programs found to be in wasteful duplication, or of less than acceptable quality, but given the current need for expansion of both the number and types of some programs, the probable state role is that of traffic cop for new programs rather than destroyer of existing ones.

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[2] Ibid., pp. 176-187.

The state plays an obviously minimal role in the approval of new programs insofar as it agrees or refuses to fund them, but with the increase in the quantity, complexity, and costs of requested new programs, the state is no longer willing to confine itself to ad hoc fiscal answers. The state wants to know which of the requested new programs represent genuine state needs, whether the basic mission and particular characteristics of the requesting institution make it the proper one for the program in question, whether the state has the resources to fund all new programs that make it over these two hurdles, and if not what order of priority should be accorded those deemed eligible. This, then, is the rationale for widespread state involvement in public institutional requests for new programs.

Proposals for new programs can come from the state to the institutions as well as from the opposite direction. Naturally enough, the state tends to want universities and colleges to prove their utility by serving practical state needs in a variety of ways. Since institutions of higher education belong to a national - and, in some cases, to an international - community of scholarship which honors "excellence" more than it does utility, there will often be a tug of war with, on the one side, powerful forces in the university pulling for program packages to improve quality (e.g., initiating prestigious new degree programs, research institutes, and so forth; - attracting top scholars through higher salaries, lighter teaching loads, better sabbatical arrangements, improving library facilities, etc.) and, on the other, powerful outside forces pulling for greater institutional sensitivity to the state interest (e.g., giving priority to local, regional, and state needs when establishing new courses or undertaking research or public service activities; cutting costs by using modern instructional techniques and by operating on a year-round basis).

Since the demands for utility are backed by the financial power of the state, most public institutions are in greater danger of becoming service stations than of remaining ivory towers.

The delineation of which substantive decisions are appropriate for state participation is, then, no minor problem. The state may honor academic freedom, impose few procedural controls, and still threaten the long-run health of its universities and colleges by displacing their aspirations for excellence and substituting its demands for utility.

Of course, the two sets of goals are not incompatible, and it becomes the duty of well-disposed persons on both sides to determine the form and content of the partnership. In some decisions, the state must have the primary voice (determining the overall level of state support); in others, the institutions must be dominant (establishing new courses; setting academic standards); and in still others, the state and the institutions must work closely together (master planning the future of higher education; deciding on new professional schools). If one accepts the thesis that autonomy is a parochial and relative concept, then, representatives of higher education and government officials must come together to discuss their respective roles in substantive decision making.

PRIVATE HIGHER EDUCATION AND STATE SUPPORT

A historical fact not always appreciated is that during the colonial period and the first century or so of independence, most New England and middle atlantic states gave substantial subsidies to their so-called private institutions of higher education. Harvard, for example, had received over a half million dollars and 46,000 acres of land by 1874 from public sources. Yale, William and Mary, Dartmouth, Columbia, Williams, Bowdoin, Bates, Colby, Middlebury, Union, Hamilton, Rochester, and Cornell are just a few of the other institutions which received some form of public assistance during these periods.

As the rest of the country was settled, however, the tradition of public higher education became stronger, augmented in no small measure by the Morrill Act of 1862. In addition, most state constitutions came to include prohibitions against state aid to sectarian institutions - a reflection of the increasing divisiveness of religious differences - and, in some cases, this prohibition was extended to all private institutions.

By the early 20th Century, the private sector still enrolled over two-thirds of all college and university students, but the public sector's share had begun to increase slowly but steadily, rising to about 50 percent by the 1930's. After World War II, as a result of the G.I. Bill, the post war baby "boom" and the trend in demographic factors, college and university enrollments expanded considerably and were absorbed for the most part by the public sector.

Figures compiled by Nelson showed that in 1965 private institutions outnumbered public ones in thirty-three states but that private enrollments were larger in only five northeastern states: Connecticut, Massachusetts, New York, Pennsylvania, and Vermont. Projections of future enrollments invariably indicate that as the public community college expansion cuts more drastically into first-time freshman enrollments, the private sector's share will dwindle even further.[3]

Figures for 1970, compiled by the U. S. Office of Education, showed that private institutions outnumbered public ones in twenty-nine states but that private enrollments were larger in only two, Massachusetts and Pennsylvania.

Cartter, a leading spokesman for the private sector, has estimated that if present trends go unchecked, "only a handful of extremely well endowed private institutions will remain as viable quality institutions". He cites as evidence the increasing gap between costs at public and private institutions, noting that "you cannot give away on one corner what you are trying to sell at near-cost further down the block." Low tuition charges in effect subsidize many families that could afford to pay (or could borrow to pay) higher costs but do not fully accomplish the ostensible goal of helping students from underpriviledged families. Realistically: the disadvantaged student needs not only free or subsidized tuition and grants for transportation, food, and books, but also money to compensate partially for the income that his family must forego because he attends college rather than taking a job.

Reasons other than economic have been advanced to support the concept of state aid to the private sector. In Texas, for example, the liaison committee on Texas private colleges and universities, asked by the coordinating board to study the future of private higher education in the state, not too surprisingly stated as its major premise:

> We believe in the value, viability and necessity of a dual system of higher education - that there can be freedom of choice, diversity, pluralism and maintenance of quality for both the public and private sectors.

Other advocates of aid to private institutions have pointed out that, given our present concern over impersonal mass institutions and student alienation, the independent colleges' freedom to remain small and intimate if they so desire takes on a special value. Still others stress the desirability of having at least some institutions operate from an explicit religious or ethical base in today's liberal society. Others emphasize that the private sector's allegedly greater freedom to experiment and innovate in curricular matters represents a gain to society. Finally, it is argued that the very existence of free private institutions can strengthen freedom in the public sector, for if oppression occurs in the latter, the best professors can leave for greener pastures.[4]

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[3] Fred Nelson, State Aid to Private Colleges and Universities (MS, School of Education, Stanford University, 1968), p. 92.

Of course, not everyone agrees that state aid to private institutions is desirable. Some base their opposition on definitions of the separation of church and state that preclude the channeling of any public funds to church-related institutions. Others resist any move that would raise tuition charges in the public sector. Probably the largest group would state that they do not oppose state aid to private higher education in principle but would endorse it only after the public sector has received "adequate" state support which, by their interpretation, may well mean "never".

The major types of state aid that are more or less common throughout the nation are as follows:

> The most basic of all state aids to private higher education is the Tax Exemption. John Russell has estimated that exemption from property taxes is equal to about 15 percent of the total income of private institutions.
>
> Direct Grants: The practice of giving direct fiscal grants to independent institutions. Today Pennsylvania is the leader in this area. In fact, Pennsylvania has never founded a "state university", preferring instead to grant heavy subsidies to Pennsylvania State University. (An independent university designated as the Land Grant Institution.)
>
> Facilities Assistance (i.e., the New York State Dormitory Authority).
>
> Intra-Inter State Associations - These permit more effective educational planning of state fiscal resources between competing institutions i.e., public-public, private-private and public-private.
>
> State Scholarships - The term, "state scholarships" is used here to mean state funds awarded to students on the basis of academic excellence, although the amounts given may vary according to the recipients' financial need.
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> Scholar Incentive Awards (New York & Illinois) grant up to $1,000 awarded purely on the basis of need.

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[4] Allan M. Cartter, Some Financial Implications of an Enlarged Federal Student Aid Program (MS, Chancellor's Office, New York University, 1969), pp. 7-9.

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Special Awards - Many states offer other special types of student awards: to persons preparing for careers in teaching or medicine, to the disadvantaged, etc. These awards can usually be used at private as well as public institutions within the state.

Loans: Finally, some states supplement federal student loan programs with state guaranteed loans which can be used at either public or private colleges.

THE NEW YORK STATE DORMITORY AUTHORITY

In this section, I would like to present an in-depth discussion on the New York State Dormitory Authority. I shall conclude with a general discussion and insight into the marketing of bonds.

University building booms in the last 15 years have fostered new controls over nearly every phase of capital outlay projects, and centralized state building agencies have appeared as increasingly important elements in the story of college-state relations. To the state official the reason for this ascendancy of the central building office is obvious: the way to preserve orderly balanced development in a period of fast expansion is for a single state agency to hold a restraining hand over the construction of buildings and the acquisition of land for all projects, including (in most states), self liquidating ventures financed by the individual schools. The presence of a central agency can help reduce architectural and other fees connected with construction.

College officials are divided on the question of a central control of capital outlay and construction. In states in which supervision amounts to little more than formal approval of plans originated by the college itself, friction seems to be at a minimum. Actually, some of the colleges welcome the technical aid of specialized engineers and architects in a central agency. But tensions climb in states where building agencies are given broad power to control the planning, contracting and construction of education buildings. In Kentucky, New York, and to a lesser degree in other states, the universities have felt themselves the victims of administrative pitfalls and what amounts to policy control through the device of controlling expansion. Although central control over capital outlays has for years been a feature of government in several states, it was not until the immediate post-WWII era that the idea of a centralized building authority attracted wide support. Legislators, hard pressed by debt ceilings, limited resources and mounting demands for capital funds sought to bring a semblance of order and priority into the system of capital expenditures by public agencies. The centralized building agency has been one solution to their problem.

A development on some campuses that deserves attention is the emergence of a special building authority as a device for financing college construction programs. While these building authorities have been established mainly to circumvent legal limitations on the borrowing power of state agencies, their presence may also serve to eliminate capital outlay as an area of conflict between state and higher education.[5]

The colleges of New York have succeeded in establishing a dormitory authority which legally permits borrowings for self-liquidating buildings (The New York Constitution otherwise prohibits such borrowings). In addition the authority circumvents many of the delays experienced under regular state building controls. College officials are unanimously of the opinion that the dormitory authority has speeded up residential building and saved the institutions from falling behind enrollments.

In New York, state authorities are not operating departments of the state, but are separate public benefit corporations created by the legislature.

There are 31 major authorities, most of which are actively engaged in the financing, construction and operation of revenue-producing public benefit facilities. The powers of an authority are vested in its governing board, the composition of which is specified by statute, generally, the governor with the approval of the senate appoints the members of the board of each major authority and either the governor or the board selects the board chairperson.

Authorities are not subject to state constitutional restrictions upon the incurrance of debt that apply to the state, and may issue lease-purchase, "moral obligation" and other revenue bonds, within amounts of legislative authorization, to finance public improvements the state might otherwise finance through taxes or its full faith and credit obligations.

New York State Dormitory Authority members are the Commission of Education of the State of New York, the Comptroller of the State of New York or one member appointed by him, the Director of the Budget of the State of New York, all ex-officio and four members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education and the Director of the Budget each may appoint a representative to attend authority meetings and to vote at them. The members of the authority serve without compensation, but they are entitled to reimbursement of expenses incurred in the performance of their duties. The members of the Authority annually choose the following officers, of which the first three mentioned must be members of the Authority: chairman, vice-chairman, secretary, treasurer and assistant secretary.

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[5] Malcolm Moos The Campus and the State (Baltimore: The Johns Hopkins Press, 1959), pp. 130-148.

The New York State Dormitory Authority was created in 1944 by the Legislature of New York State. Since its founding, the Authority has been empowered to provide dormitories including attendant and related facilities for the State University of New York. In addition, the Authority is empowered to acquire, design, construct, reconstruct, rehabilitate and improve, or otherwise provide and furnish, facilities for:

A. Institutions specifically named in the act.

B. Certain colleges and universities.

C. Certain hospitals.

D. Boards of Cooperative Educational Services (BOCES).

E. The City University of New York.

F. Community colleges.

G. The Department of Health of the State of New York.

H. The aged.

The Authority is also authorized to make loans to certain institutions.

The Authority has the general power to acquire real and personal property, give mortgages, make contracts, operate dormitories, and other facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, make reasonable rules and regulations to assure the maximum use of facilities, borrow money, and issue negotiable bonds or notes and provide for the rights of their holders and adopt a program of self-insurance. The authority has issued its bonds or notes for the State University, senior and community colleges of the City University of New York, other community colleges, BOCES, the New York State Department of Health and certain colleges, universities and hospitals.

The Authority has never defaulted in the timely payment of maturing principal of sinking fund installments on, or interest on its bonds and notes. However during portions of 1975 and 1976 the Authority encountered difficulty in marketing its obligations for certain of its programs. This was during the same period that the state and other public authorities and municipalities in the state were having marketing difficulties. Since the fall of 1976 the Authority has marketed to the public several bond and note issues indicating that the earlier marketing difficulties have eased. As a result of the authority's earlier marketing difficulties the Authority was required to suspend the planning, construction and related activities of some projects of certain of its programs, including all of the construction for the senior college project. Various claims and litigations against the Authority are threatened, have been made or are pending because of such suspensions and by reason of the Authority's undertaking to finance and construct the senior college project and other projects. The Authority currently is not able to assess what additional liability, if any, may result from such claims and litigation, but, if it is substantial, the liability may be in excess of the Authority's ability to obtain funds to pay it.

The State Legislature has enacted certain legislation affecting the Authority's financing activities:

New York State Public Authorities Control Board. The approval of this body (the "control board") is required for the financing and construction of any new or reactivated projects proposed by the Authority (and certain other public authorities of the state). It approves proposed new projects only upon its determination that there are commitments sufficient to finance the acquisition and construction of the projects. The control board legislation does not apply, however, to projects determined by the Control Board to have been in progress on April 1, 1976, nor does it empower the Control Board to prevent any authorities under its jurisdiction from complying with the provisions of any existing contract. The Authority of the Control Board extends only until July 1, 1978.

The state employs several methods to finance, and to assist in financing, state and state-related activities, which have been classified into four major categories. First the state issues general obligation notes and bonds backed by the full faith and credit of the state. Second, the state, with its full faith and credit, guarantees the repayment of certain Authority obligations if the Authority fails to repay such obligations when due. Third, the state leases facilities from certain authorities or municipalities for a term equal to the amortization period of the debt obligations issued by the Authority or municipality to finance construction of the facilities. The rent which the state pays is used to pay such obligations. At the expiration of the lease, title to the facility vests in the state. Finally, the state in order to provide additional security to support bonds issued by some authorities, primarily in connection with the construction of certain revenue-producing projects, has provided for "moral obligations", to apportion such money as may be required to make up any deficiencies in the debt service reserve funds established to help assure payment of some Authority bonds. In addition, certain authorities finance revenue-producing activities by issuing debt obligations that do not involve any financial or moral obligation participation by the state.

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Payments of debt service on state general obligation notes and bonds and on state-guaranteed loans are legally enforceable obligations of the state, state lease purchase agreements involve a contractual undertaking by the state to make rental payments to an authority or municipality. In certain cases, the legislature must make annual appropriations before such rental payments are made. Moral obligation commitments by the state require appropriations by the legislature before any payments are made. On one occasion the state appropriated money to honor such commitments and on another it appropriated money to cure a default by UDC, a moral obligation authority, on notes not backed by the state's moral obligation, No buildout authority has ever defaulted on the payment of principal or interest on any moral obligation bond.

Laws providing for the future apportionment of state funds to cover any deficiencies in authority debt service reserve funds securing payment of authority bonds are commonly referred to as imposing a "moral obligation" upon the state to make such payments. Such provisions do not impose an enforceable obligation on the state and are subject to the willingness of the legislature to make the required appropriations when called upon to do so.

Moral obligation indebtedness, where authorized by legislation, may be incurred by vote of the governing board of an authority. The moral obligation indebtedness of authorities is now limited by legislation, and the issuance of moral obligation debt by the "build-out" authorities, Battery Park City Authority and certain other moral obligation authorities requires a determination of the Public Authorities Control Board (PACB) that a project to be financed thereby is a "project in progress." As of July 31, 1977, approximately $8.5 billion in moral obligation bonds were outstanding, of which $4.1 billion were bonds issued by the Municipal Assistance Corporation. In addition, as of the same date, approximately $1 billion in authority notes, which lack the moral obligation benefit but which may be paid from the proceeds of the sale of moral obligation bonds, were outstanding. From January 1975 through March 31, 1977, the state was called upon, and the legislature appropriated $10.1 million to make up deficiencies in authority debt service reserve funds, pursuant to moral obligation provisions. In the same period, the legislature also appropriated approximately $359 million to assist in payment of authority notes issued in anticipation of moral obligation bond sales and provide other assistance to authorities with moral obligation debt outstanding.

Generally in all bond issues the authority will make certain covenants to insure the marketability of its bonds. The major covenants are as follows:

1. The authority covenants that the revenues, if derived from rentals received under an agreement, shall be sufficient at all times: (I) to pay the principal of an interest on the bonds as the same respectively become due and payable; (II) to pay any

sinking fund installments as the same may become due and payable; (III) to make the payment required to the debt service fund and the building and equipment reserve fund; and (IV) to pay the expenditures of the authority incurred by reason of its ownership, financing and leasing of the project.

2. Insurance in the form of:

   A. Builder risk property insurance.
   B. Property insurance on completed or occupied facilities.
   C. Steam boiler insurance.
   D. Loss of revenue insurance on completed facilities.
   E. Liability construction insurance.
   F. Liability ownership insurance.

3. Payment of Principal and Interest. The authority will pay or cause to be paid the principal or redemption price of and interest on every bond on the date and at the places and in the manner mentioned in the bonds or in the coupons thereto appertaining, respectively, according to the true intent and meaning thereof.

4. Enforcement of Duties and Obligations of the Fund and the Board. The Authority will take all legally available action to cause the fund and the Board each to fully perform all duties and acts and fully comply with the covenants of each of them, respectively, required by the agreement in the manner and at the times provided in the agreement.

5. Employment of Architect. Until the project is completed, the Authority will employ, as to each facility, an architect whose duties, among such other duties as may be imposed upon the architect by the Authority or by the resolution, shall be in connection with the construction and equipment of each facility or part thereof for which such architect is employed.

6. Construction, Operation and Maintenance. The Authority shall promptly complete the project and at all times after such completion operate the same or cause the same to be operated properly and in a sound and economical manner and shall maintain, preserve and keep the same properly, or cause the same to be so maintained, preserved and kept, in good repair working order and condition and shall from time to time make or cause to be made all necessary and proper repairs, replacements and renewals.

7. Alienation of Project. The Authority shall perform all duties with respect to the project required by

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the constitution and statutes of the State of New York and the agreement, and shall not pledge, mortgage or otherwise dispose of any part of the project necessary, desirable or useful for the operation and maintenance thereof except as permitted by the agreement and the resolution.

8. Accounts and Audits. The Authority will keep proper books and records and accounts (separate from all other accounts and records) in which complete and correct entries shall be made of its transactions relating to the project, which shall be subject to the inspection of the trustee, the fund, the Board or any bondholder. The Authority shall cause such books and accounts to be audited annually within 90 days after the end of its fiscal year by an independent public accountant or by the Department of Audit and Control of the State of New York.

9. Budget of Operating Expenses. In the event that for any reason the Authority shall enter the project, the Authority will prepare within 60 days a budget of operating expenses made or to be made monthly for the balance of the lease year. The Authority further covenants that at least 60 days prior to the beginning of each lease year thereafter, the Authority will prepare a budget of operating expenses made or to be made monthly for such lease year.

The state pledges and agrees with the holders of the bonds that the state will not limit or alter the rights vested in the authority to provide the project, to establish and collect rentals therefrom and to fulfill agreements with the bondholders or in any way impair the rights and remedies of the holders of the bonds until the bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of the bonds are fully met and discharged. Notwithstanding the state's pledges and agreements contained in the act, the state may enact or amend its laws which could have the effect of impairing these pledges and agreements with the Authority and with the bondholders.

THE MARKETING OF BONDS

The decision to market bonds by a municipality or state authority is obviously a major one. Extreme care in preparation must be exercised to insure a successful issue. It must be remembered that there is intense competition in the market place between bond issues, each one vying for the investor's dollar. Therefore, the following discussions will briefly enumerate the general planning process as it relates to bond financing.

When the Dormitory Authority or other entity sells a bond issue, it creates a large fixed obligation for a long term of years. Errors or extravagance in ordinary operations can be corrected from year to year. But contracts for the payment of the principal and interest on bonds are long term obligations affecting the authorities expenditures for 20 to 40 years into the future. The accumulation of fixed burdens for debt service charged may become so great that a local government or other entity finds it difficult to pay operating costs, capital outlays and debt service charges. Then the issuing unit and its creditors all take a loss in service or in money. The chief reason for extreme care in the planning and sale of municipal bonds issues is that such sales create inflexible obligations for long periods of time. The first and most important decision is whether to issue bonds at all. If bonds must be issued the term should be as short as possible. If the bonds run for a long period consideration should be given to a call feature, making the bonds callable after ten to 15 years at a decreasing premium.

Expert advise may save thousands or millions of dollars in interest. The prospectus for a revenue bond issue, for instance, should be based on studies by recognized engineers, accountants and bond attorneys. All large proposals should be studied by unbiased persons who are familiar with the municipal market.

Underwriting is the purchase of bonds from an issuer (i.e., Dormitory Authority) with a view to distribution of the bonds to investors. The underwriter may purchase the bonds as the highest bidder at competitive bidding or in a private negotiated purchase. The underwriter pays the agreed purchase price to the issuer and then attempts to obtain a profit by selling the bonds to investors at a price higher than the price he paid to the issuer. The markup in price by the underwriter, which is his compensation for distributing the bonds and for assuming the risk of a change in the market value of the bonds while they are being distributed, is known as the "spread". Unfortunately, underwriters do not always obtain a profit because in some cases they can sell the bonds only at a price lower than the price they paid, and they have a loss in the transaction. This may result from a general change in money rates and the market values of securities, from some adverse factors with respect to the particular issue or from an overestimate of the market value of the particular security.

It is necessary to decide on the interest rate and the offering prices at which the bonds will be offered to the public. If an investment banking firm is bidding alone, the municipal bond traders in that firm will usually determine the yield at which they think the bonds can be sold.

Ratings have assumed considerable significance in determining the eligibility of bonds for purchase by certain types of investors and in the interest rates on bonds. The two principle rating services are Moody's and Standard and Poors.

For example, Moody's investors service rates bonds of most issuers which have $600,000 or more of debt except projects under construction, enterprises without established earning records and situations where current financial data is lacking Moody's bond ratings are as follows:

Aaa - Best Quality - Smallest degree of investment risk

Aa - High Quality.

Baa - Lower Medium Grade - Neither highly protected nor poorly secured.

Ba - Have speculative elements.

B - Generally lack characteristics of the desirable investment.

Caa - Poor standing.

Ca - Speculative in high degree.

C - Lowest rated class.[6]

The relationships between ratings and interest rates is that the highest rated bonds carry the lowest interest rate. There may be substantial variations in interest rates for bonds of the same maturity with the same rating, because ratings are only a general appraisal of quality and there are differences in quality between bonds of the same rating. On the other hand, bonds with different ratings may be of substantially identical quality because there are borderline situations where one bond was considered barely meriting a certain rating, while another bond was considered not quite meriting that rating, and experts might disagree as to which bond merited the higher rating. Consequently the limitations of ratings must be noted. But ratings are a useful general appraisal of quality and their importance must be recognized.

In the marketing of bonds, the issuers must be sure that they are selling at a favorable time. Many factors affect the timing when bonds should be marketed. Sometimes the supply is less than the demand and dealers' inventory of bonds is low. On the other, the market may not be receptive because large federal, state, or local bond issues are available.

The interest rates of new issues fluctuates and officials should try to sell when rates are low. Bond experts advise against offering new issues more than twice a year by the same governmental unit unless the governmental unit is relatively large and unless dealers have sold the most recent issues they purchased. Frequent small issues are not desirable; neither are very large issues by a governmental unit or agency where the market is limited. Bond issues should be anticipated as far as possible so that publicity may make the market receptive for new issues. A long term continuing policy of publicity will be extremely helpful in building a good market.[7]

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[6] Gordon L. Calvert, Fundamentals of Municipal Bonds (New York: Securities Industry Association, 1973), pp. 19-26.

TITLE III

The following is a general discussion on Title III specifically focusing on: 1) the intent of Congress and 2) overall program effectiveness.

The intent of Congress was stated in the Report of the House Committee on Education and Labor (H. R. Report No. 2157) in recommending the passage of Title III of NDEA:

> There is no question as to the need for strengthening and expanding the teaching of mathematics, science, and modern foreign languages in our elementary and secondary schools. The vital importance of these subjects to our national defense and to the conduct of our foreign economic, cultural, and diplomatic relations is inescapable. Instruction in these subjects - utilizing modern techniques and equipment - must be adequate if we are to produce the educated people our nation needs in the years ahead. The plain cold fact is that these subjects are reflected ones in all too many of our schools today.
>
> There is need for modern laboratory equipment including audiovisual materials and equipment.
>
> Although there have been slight increases recently in the number of pupils studying science, analyses of program trends indicate a decreasing emphasis on laboratory experimentation pupils. Steps must be taken to reverse this trend if theory and new knowledge is to be related to practice.

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[7] *Ibid.*, pp. 140-147.

Initially, Title III had two primary objectives: (1) to support the purchase of laboratory and other special equipment and materials as well as the cost of minor remodeling of facilities to accomodate equipment for instruction in science, mathematics, and modern foreign languages; and (2) to strengthen state leadership capacity for improving instruction in these three areas. The Federal Government contributed up to 50 percent of the costs of state education agency staff improvement and the cost of equipment, materials, and minor remodeling; state and local education agencies provided the remaining funds.

Through NDEA Title III support for equipment and minor remodeling, congress intended the improvement of instruction to take place in a number of ways, including:

1. Increasing enrollments in science, mathematics, and modern foreign languages.
2. Increasing the number of advanced courses in the three subjects.
3. Increasing the number of laboratory sciences and modern foreign languages.
4. Changing the methods of teaching foreign languages to improve skill in speaking.
5. Emphasizing laboratory practice in teaching science.

Through Title III support, Congress encouraged states to hire additional specialists in the three subject areas so that state agencies would be able to provide leadership to local education agencies for:

1. Developing up-to-date curriculums.
2. Planning appropriate course sequences for elementary grades through high school.
3. Assisting in the selection of high-quality equipment and materials and enabling local education agencies to finance their purchases.
4. Providing demonstrations of new equipment and materials.
5. Conducting workshops and conferences to train teachers and other school personnel in new methodology, equipment, and materials.
6. Preparing publications and other materials to keep teachers and other school staff informed of developments in the fields of science, mathematics, and modern foreign languages.

Congress authorized the use of Title III to support SEA staff development because in 1958, the status of supervisory services was found to be inadequate, as noted in the report of the house committee on education and labor:

> Although adequate state leadership and supervisory service is widely recognized as vital to the development, maintenance, and improvement of sound classroom instructions, only two states have full-time supervisors in mathematics and science; and only two states have supervisors in foreign languages instruction.

Soon after Title III was put into operation, the improvement of equipment, materials, and state supervisory services began to make a constructive impact on instruction in the three subjects. Educators and members of Congress then recognized that other subjects in the curriculum needed similar attention. Reading and writing skills, for example, were not believed to be meeting acceptable standards. Similarly, Congress was concerned that students were insufficiently familiar with historical events, with the American form of government, and with characteristics of the earth. As a result, in 1964 Congress amended the NDEA and extended support - under Title III (P.L. 88-665) - to five additional subjects: history, civics, geography, english, and reading.

In 1965, as a part of the Higher Education Act (P.L. 89-329), Congress extended assistance to instruction in economics. A 10th subject, industrial arts, was added as a part of the higher education amendments of 1966 (P.L. 89-752).

Under the higher education amendments of 1968 (P.L. 90-575), Title III of NDEA was amended further. It now authorized assistance for "the special educational needs of educationally deprived children in school attendance areas having a high concentration of children from low-income families." By providing support for the seven additional subjects and for the special needs of educationally deprived children, Congress showed that its intent is broader than was indicated in NDEA as originally enacted - although funds to implement this 1968 amendment were not appropriated.

Each state is allotted funds for administration of the program, including salaries and expenses of state Title III staff, on the basis of the state's proportion of the school age population in direct ratio, to the Title III allocations. In other words, a high school age population would tend to increase a state's allotment for equipment and materials, whereas a high per capita income would tend to decrease its allotment.

Except for a small portion retained for use in state-supported schools, most of a state's Title III allotment for equipment, materials, and minor remodeling is distributed by the state education agency to local education agencies for specific projects. Each state determines local education agency eligibility and establishes state funding priorities. Although the federal funds cannot exceed 50 percent of the cost of a project, the matching half of the cost may be provided by the state or the local education agency. Each state sets criteria for the state-local matching pattern.

An approved project may involve purchase of a single piece of equipment (such as a tape recorder; acquisition of 100 microscopes). In order to ascertain whether the intent of Congress was being carried out and whether the program was effective, the office of education commissioned a study of the management of NDEA Title III in state education agencies. Information was collected through structured interviews in 18 state agencies (including New York), 18 coordinators were interviewed by Jacob Bach of Southern Illinois University and his staff. The focus of the study was on administrative and supervisory services made available through Title III. The NDEA Title III guidelines were used as the basis for designing categories of questions.

Of the 18 coordinators (one per state) interviewed, only 13 were assigned full time to Title III duties. The coordinators have a role in most aspects of the program from inservice training to coordination of activities of subject matter supervisors. Most coordinators have a minor role in curriculum development and project approval, although five said they were involved extensively in project approval and that supervisors were bypassed in this activity.

Most coordinators sponsor workshops for local education agency administrators and supervisors. Evaluation of new curriculum was the category of workshop activities checked least often, more than half the coordinators work with higher education institutions to stimulate changes in preservice education.

Almost all the coordinators participated in the formation of procedures for approving project standards and establishing priorities. In 11 of 18 states, coordinators indicated that there is a priority system for purchase of equipment and materials. Thirteen of 16 coordinators reported that there is an evaluation process of Title III at the state level but that the most frequently used technique is verbal opinion.

According to the coordinators the most frequent services provided by the subject-matter supervisors are:

1. Development of curriculum guidelines.
2. Reviewing Title III projects.
3. Providing inservice education.

The least frequent services provided are:

1. Dissemination of research information.
2. Assistance in developing teacher certification criteria.
3. Evaluation and analysis of programs.

Through their state plans, state education agencies have administered the NDEA Title III program in accordance with statutory authority set forth in the act. The National Defense Education Act of 1958, Title III, originally stated in part:

> ...funds paid to the state from its allotment under Section 302(A) will be expended solely for projects approved by the State Educational Agency for acquisition of laboratory and other special equipment, including audiovisual materials and equipment, and printed materials (other than textbooks), suitable for use in providing education in science, mathematics, or modern foreign languages...

Safeguards relating to the administration of the program were built into the Act and required the states to:

1. Set up a system of priorities to be applied when approving projects.
2. Establish standards for laboratory and other special equipment acquired.
3. Set up a program for the expansion or improvement of supervisory or related services.

The U. S. Office of Education provided interpretations of the regulations and developed guidelines to assist states; each state is responsible for administering its own program. Consequently, the program varies from state to state according to differing aims and emphases. A major variable in the administration of the Title III program concerns state-local relationships which are determined by the philosophy and method of operation of the State Education Agency. However, all state education agencies did establish priorities for funding local education agency projects based on local needs for equipment, materials, and minor remodeling in the specified subject-matter areas.

Although Title III has served its original purpose, the long-term impact on education may be uncertain. Evaluation on a nationwide basis of any program in education is difficult since the necessary before bench marks are seldom available for comparison with the after results. Many variables influence the education of students, making it difficult to isolate the factors responsible for any changes observed; but certain conclusions can be drawn from the annual financial, statistical, and narrative reports submitted by the states to the U. S. Office of Education. A review of these reports indicates that the Title III has been a significant factor in bringing about changes leading to improvement in instruction in each of the academic subjects covered by the program.

FEDERAL INSTITUTIONAL FUNDING

The Federal Government funding has a significant impact on the character, type, and of course the financing of higher education in New York State and the rest of the country. This section will explore the overall impact of federal monies in the following contexts 1) the balance of federal programs, 2) the concentration of funds in federal programs, 3) the relative quality of institutions with more or less federal money.

The effect of federal research programs on the content - the ideas and knowledge - of instruction is probably their most important impact on higher education. Federal programs have unquestionably advanced knowledge in the sciences by great strides. Although the advance has taken place initially at the highly specialized graduate and postdoctoral levels in which the frontiers of science are explored and extended, it has filtered down and is gradually transforming the content of undergraduate science as well. The progress of modern science is so rapid, however, that at many points gaps have opened between the level of undergraduate and graduate instruction. Special importance therefore attaches to the programs of the National Science Foundation, which help to bridge these gaps by revising the undergraduate curriculum, texts, and laboratory materials; giving college teachers an opportunity to learn the latest findings in their field; and replacing traditional lecture methods with continual exploration and with active participation on research by the best students. Nevertheless, laboratory facilities and the opportunity to keep in touch with the latest experimental findings are more limited at the independent liberal arts colleges than at the undergraduate college of a large university. Graduate students coming from independent colleges are not as well prepared as those coming from universities; and though the most able students can make up the deficiency, it presents more of a problem for the average student.

Criticism can be readily multiplied of the lack of balance in the research programs of specific agencies or the Federal Government as a whole. Although the notion of "balance" is elusive and has a perceptibly utopian quality, it evidently betokens the "natural" or self-directed activity and interest in a field or profession. The normal play of forces upon an academic institution - the impact of benefactors, trustees, administrative officers, and students as well as of economic, political, and social developments - precludes the achievement of such "balance" at the best of times. The additional effects of federal programs may be summarized as follows:

1. The institutions least "imbalanced" by federal programs are the many colleges with little or no money, the institutes of technology geared to science and engineering and the few rich universities with an exceptional range of government - financed work and at least some other sources of support for types of scholarship not aided by the Government. Those which appear most adversely affected are the second rank universities requiring project funds to hold their staffs and graduate students and unable to resist the attraction of contracts for work which is pedestrian in nature or of little academic interest.

2. The degree of "balance" in a field is directly related to its money requirements per person, (engineers, requiring more money for equipment than mathematicians, may be more often obliged to undertake work in fields of borderline interest to them), the size of appropriations particularly for the basic research agencies, the number of agencies financing research in the field, and the range of work in which they are interested. Thus, historians, limited to the small external research programs of the state department, are at one extreme; physicists, receiving massive support from virtually every science agency, are at the other.

3. The more experienced, well known, and eminent the man, the greater is the range of his choice and the easier it is for him to get money to do exactly what he wants. National leaders in a science are literally drowned in opportunities, while the neophyte can have hard going.

4. Periods of national emergency have been accompanied by an increase in applied research and development with practical and military applications. World War II, Korea, Vietnam and the current "arms race" have brought an upsurge in various applied research programs, while the years immediately after 1945 saw the inauguration and slow expansion of basic research programs. Judging by the marked growth of their budgets, the "pure" research and education agencies (the National Science Foundation, The National Institutes of Health, and the Office of Education) have prospered from the cold war as well as from peace.

The success of the scientists in obtaining federal funds have led to efforts by many social scientists and some humanists to imulate their technical and political methods.

The question of "balance" within each field of research cannot be divorced from what may be called the "politics of balance" or, even the "politics of knowledge". In establishing the scope of its research programs, each agency is naturally guided by the best advice it can get from leading specialists. But specialists judgements cannot be solely technical; they are unavoidably also political, representing a judgement as to which types (and proponents) of knowledge should be encouraged and there is a potentially endless fractionization of professional specializations, each subgroup believing that only colleagues in the same subspecialty are competent to evaluate their work. An interesting example of this sort occurred several years ago when surgeons complained of discrimination in the review procedures at the national institutes of health because their proposals were not being examined by surgeons; a panel of surgeons was subsequently established to meet their protest.

The conclusion can be drawn that the profound impact of federal research programs upon scientific knowledge and hence, the scientific curriculum, can be evaluated only by specialists in each field. However, imbalances in these programs are manifest to any observer. Also, imbalances within fields affect the social sciences more than the natural sciences. Most faculty regard the concentration of federal funds in the sciences and relative neglect of the humanities as against both the interest of their institution and the long run national interest. Among the reasons being advanced for more federal aid to the humanities is that aid is needed to preserve the integrity of liberal arts institutions as "communities" of scholars with equal status (i.e.: the scientists) embracing with equal ardor the entire realm of knowledge.

Marked concentration of federal funds was the rule during WW II when the office of scientific research and development invested large sums in high priority projects at laboratories managed by a few institutions - including the Massachusetts Institute of Technology, the University of Chicago, and the University of California - whose scientists had pioneered in vital fields of atomic physics and electronics, broadening the geographic distribution of federal science funds was the government's goal after the war.

The passage of the National Defense Education Act in 1958 and the large increases in the budgets of the National Science Foundation, the National Institute of Health and other major federal agencies have undoubtedly broadened the geographic base of federal expenditures. There is a direct correlation between budget increases at granting agencies and the dispersion of their grants. The dispersion associated with a budget increase results from variety of factors. The more abundant the support in a given field, the more likely is the ordinary man to be supported. Cancer research in particular affords a good example. As the available funds for research increase, the quality of those undertaking research as well as that of the research they perform is diluted.

A broadening of the scope of programs is another pattern demonstrated by the expanding fields supported by national science foundation; generous congressional appropriations have expanded the scope of the National Aeronautics and Space Administrations programs at educational institutions from the aeronautical and engineering sciences to the physical and life and social sciences as well. Ultimately the limits of "defense", "health", or "space" sciences are set less by academic than by political and budgetary considerations. The increased competition by different agencies for the same recognized scientists at the same recognized institutions has driven many program directors to lesser institutions and less eminent (but sometimes more cooperative) men.

Research programs utilizing the prevailing distribution of talent and facilities have gradually been supplemented by programs for the training of new talent, the purchase of equipment, and the construction of facilities that serve to increase the number of institutions able to conduct research; and a number of programs have been initiated in recent years specifically to counter criticism of concentration leveled at earlier programs.

The dominant factor governing the present concentration of federal funds is, of course, the objective for which they were appropriated. Generally today, whatever these programs may be criticized for, it is not lack of institutional dispersion. However, most federal fellowship and training programs are geared either by statutory or administrative requirements to the graduate and often the doctoral level, and most research programs, to the kind of men, equipment, and environment found more frequently at the 200 or so doctorate - awarding institutions than at the 2000 other institutions of higher education.

During the last decade, the Brookings Institution undertook a study to ascertain the relative student and faculty quality of institutions with more or less federal money. The inquiry was focused primarily upon 36 institutions: 12 universities receiving relatively large sums from the federal government (Type I institutions), 12 other receiving smaller sums (Type II institutions) and 12 liberal arts colleges (Type III institutions).

As a mean measurement of student quality Brookings relied heavily on the students scholastic aptitude test scores. The study has shown that the average verbal and mathematical aptitude of undergraduates at Type I universities was decidedly higher than that of students at Type II universities, but only a little above that of students at Type III colleges.

It was also evident from an examination of these scores that, with few exceptions, the average score of students at private universities was above that of students at public institutions in both Types I and II. Some admissions officers at our large public universities had conceded that the average ability of their undergraduates is lower than that of undergraduates at the private university with which they are competing most keenly because of their larger "tail" of inferior freshmen - admitted as state residents, and often flunked out before their junior year - but affirmed that their best students were as good as those anywhere else.

Relative to the number of bachelor's degrees awarded in the sciences, the number of undergraduates receiving regular national science foundation first year graduate fellowships was virtually identical at Type I and II institutions. This point is of special interest, because of the heavy preference of these fellows, thereupon, to use their awards to attend graduate schools at Type I institutions.

There can be little doubt about the superiority of Type I to Type II faculty in virtually every significant test. After all, there are only three times as many faculty in Type I as in Type II institutions.

By analyzing data on faculty publications in leading professional journals, it was shown that Type I faculty excel more in the sciences than in the social sciences or the humanities. In philosophy, the relative output of faculty in Types II and III surpassed that in Type I, although the absolute number of articles involved is small. College faculties are also notably less given than are university faculties to multiple authorship. The major conclusions arrived at in the comprehensive Brookings study can be summarized as follows: at the undergraduate level, the rank order of mean student quality was found to be (A) Type III colleges; (B) Type I private universities; (C) Type II private universities; (D) Type I public universities; (E) Type II public universities. At the graduate level, the same sequence prevailed (minus, of course, Type III colleges), but the gap between students at different groups of institutions was noticeably reduced.

Faculty in Type I were clearly "superior" to those in Type II. (Because of statistical reporting problems no rating was assigned to Type III institutions.) The sequence of overall faculty quality between Type I and II public and private institutions was estimated to be as follows in descending order:

(A) Type I, private universities.
(B) Type I, public universities.
(C) Type II, public universities.
(D) Type II private universities.

The heavier volume of federal funds at Type I institutions coincided with the superior quality of both the faculty and students in Type I over those in Type II; but not with the

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superiority of students at private universities in Type II over students at public universities in Type I.[8]

THE NATIONAL SCIENCE FOUNDATION

The National Science Foundation is an independent agency of the Federal Government established in 1950 to promote and advance scientific progress in the United States. The Foundation fulfills this responsibility primarily by sponsoring scientific research, encouraging and supporting improvements in science education, and fostering scientific information exchange. NSF does not itself conduct research or carry out education projects.

NSF has no programs involving the construction of public works in metropolitan areas, no development assistance programs, no programs requiring state plans as a condition of assistance, none involving coordination of planning in multijurisdictional areas, and no programs of grants to state and local governments as defined in Section 106 of the Intergovernmental Cooperation Act.

Recipients of NSF support have full responsibility in accordance with the terms of their grants for the conduct of their projects or activities and for the results achieved. However, they may not contract or otherwise transfer any of the research or substantive effort.

BASIC AUTHORITY

A. The basic authority of the National Science Foundation is contained in the National Science Foundation Act of 1950 (P.L. 81-507, as amended; 42 U.S.C.) which directs the foundation to:

1. Initiate and support basic scientific research and programs to strengthen scientific research potential and science education by making contracts or other arrangements (including grants, loans, and other forms of assistance) to support such scientific activities, without restriction as to the type of performer;

2. Award scholarships and graduate fellowships in the sciences; and

3. Foster for interchange of scientific information among scientists in the United States and foreign countries.

B. Sec. 3C of the Act also authorizes NSF to initiate and support applied research at academic institutions and other nonprofit organizations, and, when so directed by the President, to support applied scientific research relevant to national problems involving the public interest through other appropriate organizations. By letter of April 13, 1972, the President implemented the authority of Sec. 3C in the following terms:

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[8] Harold Orlands, The Effects of Federal Programs on Higher Education (Washington, D.C.: The Brookings Institution, 1972), pp. 146-164.

> The foundation, in making grants or contracts for applied scientific research relevant to national problems involving the public interest, may support such work at other than academic and nonprofit institutions when the director of the National Science Foundation determines that it would be advantageous to use the capabilities of such other institutions to accomplish the program objectives.

C. Sec. 3E of the act prescribes that one of the objectives of the foundation shall be to strengthen research and education in the sciences throughout the United STates and to avoid undue concentration of such research and education.

D. Sec. 11 of the act provides broad authority to the foundation to, among other things:

1. Enter into contracts or other arrangements for the performance by organizations or individuals in the United States and foreign countries (including other government agencies) of such scientific activities as the Foundation deems necessary, without legal consideration, without performance or other bonds, and without regard to Sec. 3709 of the revised statutes;
2. Make advance, progress, or other payments which relate to scientific activities without regard to Sec. 3648 of the revised statutes (31 U.S.C. Sec 529);
3. Publish or arrange for the publication of scientific and technical information without regard to various statutes.

E. Sec. 14(C) of the Act (42 U.S.C. Sec 1873) precludes the foundation from operating any laboratories or pilot plants.

The types of activities founded by the foundation and the purposes of NSF funding are varied. Consequently, the degree of NSF responsibility for and management control of such activities also varies. NSF traditionally has used grants for its basic research and other support activities. These grants generally have not required significant NSF involvement in the conduct or management of the supported activity.

A key factor in determining most of the terms and conditions appropriate to a particular grant for scientific research or related activities is the type of project which is to be conducted, not the type of performing organization which will be the recipient of the grant, or the NSF program recommending the grant.

NSF grant administration requirements will continue to be:

1. As minimal as possible, consistent with the need to ensure that federal funds are wisely spent for the purposes intended;
2. As flexible as possible, to permit optimum freedom for scientific inquiry; and
3. As consistent as possible among both NSF programs and categories of grantees to improve mutual understanding and administrative efficiency.

The acceptance of a grant from the NSF creates a legal duty on the part of the grantee organization to use the funds or property made available in accordance with the conditions of the grant. Payments may be made in advance of work performed or as a reimbursement for work performed or costs incurred by the grantee.

Section 602 of the Civil Rights Act of 1964 provides that no person in the United States shall on the grounds of race, color or national origin, be excluded from participation in, be denied the benefits, or be otherwise subjected to discrimination under any program or activity receiving federal financial assistance. NSF regulations to implement the civil rights act requires that as a condition of approval of an application for, the applicant must execute an assurance of compliance form with the NSF.

The protection of the rights and welfare of human subjects (including students) involved in research, development, and related activities supported by NSF grants is the responsibility of the grantee. Before a grant can be made the NSF must receive a statement that research involving use of human subjects has been reviewed and approved by the appropriate institutional review board at the grantee organization, and that the grantee assures NSF that it will comply with Department of Health, Education and Welfare policies, as amended, regarding the use of human subjects.

Any grantee performing research on warm blooded animals has to comply with the Laboratory Animal Welfare Act of 1966 and the regulations promulgated thereunder by the Secretary of Agriculture pertaining to the care, handling, and treatment of warm blooded animals held or used for research, teaching of other activities supported by federal awards.

NATIONAL ENDOWMENT FOR THE ARTS AND HUMANITIES

Public Law 89-209, passed by Congress in 1965, authorized the establishment of the National Foundation on the Arts and the Humanities, consisting of the national endowment for the arts and the National Endowment for the Humanities. Few grants, were made in the first year and first fiscal year's appropriation of $2.5 million was added to the $2 million voted for fiscal 1966, providing a total of $4.5 million for that year. The endowment also had legislative authority to match private, unrestricted gifts with treasury funds. In 1968, Congress appropriated for the endowment $3.5 million outright and an additional $.5 million in matching funds.

The original authorization of Public Law 89-209 expired after three years, and during fiscal 1968 reauthorization legislation was passed to allow greater flexibility. These changes enable the chairman to make grants up to $17,500 without seeking the national council's prior consent (although he must make a complete report of these grants to the council at its next meeting) and permit the endowment to match gifts for restricted as well as unrestricted purposes. PUblic Law 90-348, which passed Congress on July 18, 1968, authorized fiscal 1969 and 1970 appropriations of $8 million and $9 million respectively.

Public Law 89-209 was again amended on July 20, 1970, when outright appropriations of $17 million for fiscal 1971, $26.5 million for fiscal 1972, and $35.5 million for fiscal 1973 were authorized. In the fall of 1973, Congress passed three-year reauthorization legislation for the foundation. Reauthorization ceilings for the endowment were set at $65 million for fiscal 1974, $90 million for fiscal 1975, and $113.5 million for fiscal 1976. Additional appropriations were authorized to match private gifts with treasury funds.

In the fall of 1976, Congress passed four-year reauthorization legislation which contained formal requirements for the state program and provisions for establishing a challenge grant program. Appropriation ceilings for regular program funds were set at $93.5 million for fiscal 1977, $105 million for fiscal 1978 and such sums as may be needed for fiscal 1979 and 1980, with not less than 20 percent of such sums going to the state programs. Ceilings for the challenge grant program were set at $12 million for fiscal 1977, $18 million for fiscal 1978 and such sums as may be needed for fiscal 1979 and 1980. Additional appropriations were authorized to match private gifts donated for specific projects with treasury funds.

The term "humanities," as defined in the National Foundation on the Arts and the Humanities Act of 1965, includes, but is not limited to, the study of the following: language, both modern and classical; linguistics; literature, history; jurisprudence, philosophy, archeology, the history, criticism, theory, and practice of the arts, and those aspects of the social sciences which have humanistic content and employ humanistic methods. The endowment is also authorized to support "the study and application of the humanities to the human environment."

In 1970, the Congress added ethics and comparative religion to the fields supported by the endowment and included in the statutory mandate "particular attention to the relevance of the humanities to the current conditions of national life."

Applications may come from individuals with or without academic affiliation who are U. S. Citizens or nationals and from foreign nationals who have been living in the United States or its territories for at least five years, as well as from any nonprofit institution or organization engaged in humanistic endeavor. Typically, applications come from universities four-year colleges, junior colleges, community groups; and from museums, historical organizations, libraries, public agencies, radio and television stations, and members of these organizations' staffs.

The following briefly describes the kinds of opportunities available through the endowment.

> Fellowships and summer stipends enabling humanists to improve their skills in interpreting and communicating the humanities; fellowships for professionals in the fields of journalism, law, school administration, public administration, and medicine who wish to study at a major university in order to reacquaint themselves with the humanistic content of their particular professional disciplines; academic year-long and summer seminars for teachers in undergraduate and two-year colleges at which participants will have an opportunity to study under distinguished professors from major universities; grants to major independent centers of advanced study enabling them to award fellowships in the humanities.
>
> Grants to help improve the teaching of the humanities through the development of college and university curricula and through excellent projects at any educational level, including cooperative programs between levels.
>
> Grants in support of projects that help increase understanding, appreciation, and use of the humanities among the integral public through a variety of institutions and media; grants in support of state and community organizations promoting and sponsoring public programs in the humanities; grants in support of the strengthening of educational resources of museums and historical societies.
>
> Grants in support of study and research in the humanities among young people of high school and college age.

In addition to these, through its office of Planning and Analysis, the endowment encourages the submission of proposals for projects which do not fall readily within the scope of existing programs and divisions. The office specially seeks promising proposals which would extend traditional concepts of the humanities, develop new applications of humanistic knowledge, or encourage more active interest in the humanities among all sectors of the population.

In response to mounting national concern about the ethical and value implications of new advances in science and technology, the national endowment for the humanities and the National Science Foundation announced jointly, in February, 1973, their special interest in fostering knowledge on this subject.

The National Endowment for the Humanities does not offer support for creative, original work in the arts - such as musical composition, painting, the writing of poetry and fiction - or for performance or training in the arts. Certain studies of the arts are eligible for endowment support, such as historical and theoretical studies and criticism in the arts.

Because of limited funds, with the exception of challenge grant programs, the endowment currently cannot at this time give consideration to requests for support for:

> Predoctoral fellowships, except insofar as they may be integral parts of a broader program and requested by the institution undertaking such a program;
>
> Construction or restoration costs, except for limited amounts incidental to carrying out other purposes of an application;
>
> Museum or library acquisitions, except for limited amounts incidental to carrying out other purposes of an application;
>
> Costs of permanent equipment which is not essential to the carrying out of a broader program or project;
>
> Support for research undertaken in pursuit of any academic degree;
>
> Individual requests for travel to professional meetings.

The newly authorized program, challenge grants, is designed to stimulate increased support for humanities institutions from private citizens, business and labor organizations, state and local governments, and civic and other groups by offering one federal dollar for every three raised in the private sector. Funds will be given for improving the finances of these institutions and for providing programs and services in the humanities.

The endowment also will consider proposals requesting the subvention of publication costs for some humanities texts.

The National Council on the Arts, formed in 1964, preceded by approximately one year the establishment of the National Foundation on the Arts and the Humanities.

The Council is composed of the Chairman of the National Endowment of the Arts, who serves as Chairman of the Council, and of 26 presidentially appointed private citizens, who are widely recognized for their knowledge of the arts, or for their experience or profound interest in the arts.

The Council is mandated by law to advise the Chairman regarding policies, programs, and procedures; and to review and make recommendations for financial assistance.

The National Endowment for the Arts while receiving some administrative services from a "shared staff" which also serves the humanities endowment, the National Endowment for the Arts is in effect an independent federal agency which has its own chairman, national council, staff, programs, and budget.

Both legislatively and in council policy, the Endowment was conceived as a catalyst to help increase opportunities for artists and to strengthen the involvement of communities, in the arts. The Endowment's relationship to the private and local cultural community is one of partnership, in which the federal role is to respond to the needs of the field, not to direct or interfere in the creative activities of individual artists or cultural organizations. The Council and Endowment have translated their broad mission into three basic goals:

1. Availability of the Arts.
   To promote broad dissemination of cultural resources of the highest quality;

2. Cultural Resources Development.
   To assist our cultural institutions to provide greater public service and to improve artistic and administrative standards;

3. Advance for our Cultural Legacy.
   To support creativity among our most gifted artists, encourage the preservation of our cultural heritage, and enhance the quality of life of our nation.

With Council advice and assistance, the Endowment pursues its basic mission and goals through two main types of activities:

Providing financial assistance in the form of grants to public or private, non-profit organizations, and to individuals of exceptional talent; and

Performing a variety of leadership functions, including technical assistance, research, dissemination of information, development of pilot concepts, and advocacy on behalf of the arts.

In working toward these goals, the National Endowment for the Arts and the National Council on the Arts have the benefit of the recommendations received from advisory panels - experts who serve the individual programs of the Endowment much as the National Council serves the Endowment as a whole.

Panel structures vary according to the characteristics of each field. In general, they are composed of artists, arts administrators, board members, critics, and others representing a wide range of knowledge and experience in the field, as well as broad geographic representation and a diversity of professional viewpoints.

Panelists review grant applications, evaluate past programs and advise Endowment staff and the National Council on the Arts as to the direction of future programs. Panel recommendations are presented to the National Council on the Arts which is responsible for final recommendations to the Chairman.

The Endowment has 12 major program areas. Eight programs are basically single discipline fields; architecture plus environmental arts, dance, literature, museums, music, public media, theatre, and visual arts. Four programs are interdisciplinary: education, expansion arts, federal-state partnership, and special projects.

Each of the 12 programs provides assistance in several funding categories - ranging from four to 17. In total there are some 110 funding categories of Endowment assistance. Each program is different, but each continually changes to reflect the unique characteristics and needs of the field it serves.

The United States Congress appropriates money to the Endowment in the following categories.

Program Funds

This money is available to the Endowment to award grants to artists and organizations (including state and regional arts agencies) located throughout the country.

The Treasury Fund

This money becomes available when private donations are received by the Endowment, at which time this special fund matches the donor's dollar with a federal dollar. The doubled amount is then granted by the Endowment in the same way program funds are granted. This funding management is designed to encourage new and increased non-federal support for the arts.

The Endowment awards a limited number of non-matching fellowships to professional artists of exceptional talent to enable them to set aside time to work and advance their careers. These grants are ordinarily made only to citizens or permanent residents of the United States. Although eligibility for an Endowment fellowship varies by art discipline, demonstrated seriousness of purpose and high quality of work are requirements in all fields.

The Endowment awards matching grants to organizations for arts projects. To be eligible, organizations must meet the following criteria:

1. Only those organizations in which no part of net earnings inures to the benefit of a private stockholder or individual and to which donations are allowable as a charitable contribution under Section 170(C) of the Internal Revenue Code of 1954, as amended. Copy of Internal Revenue Service determination letter for tax-exempt status must be submitted with each application.

2. Only those organizations which compensate all professional performers. related or supporting professional personnel, laborers, and mechanics at the equivalent of the prevailing minimum compensation level or on the basis of negotiated agreements which would satisfy the requirements of parts 3, 5 and 505 of Title 29 of the code of federal regulations for the duration of any project supported in whole or in part by the National Endowment for the Arts.

3. Only those organizations which conduct their operations in accordance with the requirements of Title VI of the Civil Rights Act of 1964 and the Rehabilitation Act of 1973, as amended, which bar discrimination in federally assisted projects on the basis of race, color, national origin, or handicap.

Grants to organizations are matched through one of the following methods.

Program Funds Method

Many applications for assistance are funded through this method requiring the applicant organization to provide at least one-half the total cost of the project.

Treasury Fund Method

The Endowment currently expects to make a substantial number of its grants - particularly large grants - through the treasury fund method.

When the National Endowment for the Arts was created, Congress included a unique provision in its enabling legislation which, allows the Endowment to work in partnership with private and other non-federal sources of funding for the arts. Designed to encourage and stimulate increased private funding for the arts, the treasury fund allows non-federal contributors to join the Endowment in the grant-making process, generally for projects supported by the Endowment under the established program guidelines.

The Endowment encourages use of the treasury fund method as an especially effective way of combining federal and private support, and as an encouragement to all potential donors, particularly those representing new or substantially increased sources of funds.

The Endowment may accept gifts and receive bequests in the forms of money or other property. Generally, gifts to the Endowment are deductible for federal income, state, and gift tax purposes.

Gifts may be made to the Endowment for the support of a non-profit, tax-exempt, cultural organization such as a museum, a symphony orchestra, a dance, opera, or theatre company which has been notified that the Endowment intends to award it a grant under its regular program guidelines or for an endowment program, such as fellowships, touring, conferences, or workshops.

When a restricted gift is received it frees an equal amount from the treasury fund, which is then made available to the grantee in accordance with the amount and conditions of the grant, as recommended by the National Council on the Arts and approved by the chairperson. The Endowment also accepts unrestricted gifts to be used for projects recommended to the chairman by the National Council on the Arts.

To assist in providing arts programming at the local level, every state and special jurisdiction in the United States has a state arts agency, operating as a part of the state government and receiving state appropriations. Each serves its state or jurisdiction as the National Endowment for the Arts serves the nation: generating and distributing funds, coordinating resources, and providing technical assistance to artists and cultural organizations. Grants from the state arts agencies support festivals, workships, residences, community arts agencies, touring exhibits, crafts fairs, cultural institutions, fellowships to individual artists - the host of projects which develop and strengthen our cultural resources and make them more widely available to the public. The office of the federal-state partnership is designed to aid the state arts agencies in their work.

Basic State Agency Grants

The National Foundation on the Arts and Humanities Act of 1964 provides that every year the Endowment make at least

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20 percent of its program funds available to the state arts agencies to carry out the purposes of the Endowment as articulated in Section 5(C) of Public Law 89-209. Of the portion, 75 percent must be made available in equal amounts to the 55 states and jurisdictions. In fiscal year 1976, each state was eligible for a basic state agency grant of $205,000. To receive the funds, each state arts agency was required to propose a plan outlining its annual programming. The plans were approved by the chairman of the Endowment, and matching grants of $205,000 were awarded to all the state arts agencies, with the exception of American Samoa, which requested and received $124,700.

Program Development

Grants under this category go to the state arts agencies to hire additional staff to carry out ongoing programs or to plan new ones. The Endowment often will pay the salaries of new fiscal officers, program directors, technical advisors, and other skilled staff, for a period not exceeding two years. An exception: continuing salary support is available to state coordinators of artists-in-schools and dance touring programs, two Endowment programs administered largely by the states themselves.

Regional Programs

Some problems in arts programming are best handled, not at the community or state level, but through broader cooperation among the arts agencies of an entire region. The Endowment funds several regional groups, among them are the Western States Arts Foundation, the Mid-America Arts Alliance, the Southern Federation of State Arts Agencies, and the Affiliated State Arts Agencies of the Upper Midwest, which last year sponsored the upper midwest tour of the Michigan Artrain. Over seven months the Artrain brought six railroad cars filled with art displays to communities in Iowa, Minnesota, Wisconsin, and the Dakotas.

Community Development

The Endowment also offers assistance to the state arts agencies for programs to promote and develop arts agencies on the community level. In 1977 26 states received grants for such programs, which included programs and staff support for community arts agencies, state-wide conferences and workshop programs, and challenge grants to local governments to generate funds for community arts programs.

Services to the Field

Grants under this program fall into six categories. The National service organizations category covers grants to national non-government organizations which provide services to state and community arts agencies. The associated councils of the arts has long been the major grant recipient; the National Assembly of State Arts Agencies received its first Endowment grant in 1975. Internships are available through the state arts agencies for practical on-the-job training in arts administration. In 1977 five states received funds for internships: Alaska, Alabama, Kentucky, North Carolina, and West Virginia.

The regional coordinators' program is another category under services to the field. There are presently seven coordinators working with state arts agencies, artists, and cultural organizations in these areas: northeastern states, mid-atlantic states, southeastern states, the south central states, north central states, rocky mountain states, and the pacific states. Regional coordinators are responsible for keeping state arts agencies informed of Endowment programming; for providing technical assistance to organizations in their regions; and for being alert to opportunities for regional cooperation. In addition, they keep the Endowment informed about developments nation-wide in the field.

Three other programs round out services to the field. Regional and national meetings of state arts agency professionals are eligible for assistance, as are individual fact-gathering trips under the staff travel program for state agencies. The technical assistance program offers funds for state, regional or community arts agencies to bring in consultants to advise them on specific problems, technical matters, or administrative functions. The technical assistance program is administered by the associated councils of the arts in cooperation with the Endowment.

FEDERAL OBLIGATIONS FOR ACADEMIC SCIENCE AND NON-SCIENCE FUNDING

Federal obligations for academic science and non-science obligations both have tended to follow the general pattern of rapid growth during the early years of the federal survey series followed by slower growth, with occasional declines, since 1969. The fluctuations in the rate of change have been more pronounced in non-science obligations. However, these obligations jumped from $85 million - six percent of the total - to $1,532 million, or 37 percent of the total, between 1963 and 1972. The $2,008 million reported in 1976 represented 39 percent of the total.

Total federal obligations to academic institutions in terms of constant (1972) dollars peaked in 1967, and have been showing an overall decline since that year averaging nearly two percent per year. Thus the rate of increase in current dollars, averaging four percent per year, has made up only about two-thirds of the losses in purchasing power due to inflation.

The proportions of the total obligations allocated to the various categories of activity have varied significantly during the 14 years covered by the federal survey series. Academic science obligations declined from 94 percent of the total in 1963 to 61 percent in 1975 and 62 percent in 1976. Obligations for research and development, which accounted for about 60 percent of the total in 1963 and 1964, declined to less than 40 percent in 1967 and have remained at just under 50 percent since 1973 to date. R & D plant obligations, over seven percent of the 1963 total, dropped below one percent in 1971 and have remained around that figure in subsequent years, though fluctuating between $29 million and $45 million. Meanwhile, obligations for other science activities, accounting for more than one-fourth of the total in 1963 through 1968, have declined since then to less than one-eight of all obligations.

In 1976, as in earlier years HEW was the source of the vast majority of federal funding for academic institutions, accounting for approximately $3,460 million or 70 percent of the total.

The National Science Foundation (NSF) accounted for the second largest amount - $491 million, or 11 percent of the total - roughly the same proportion as in recent years.

Institutions in the middle atlantic states replaced those in the pacific states in first place among the nation's geographic divisions by accounting for nearly 17 percent of all federal obligations in 1976. Institutions in the pacific states received the second largest amount (16 percent of the total), followed closely by those in the south atlantic and east north central divisions. As in earlier years, these four divisions were closely grouped (with only two percentage points between the first and fourth), and together accounted for 63 percent of the total.

On a state-by-state distribution basis California institutions again received the largest amount, $529 million or 12 percent of the total. Institutions in New York received the second largest amount, $454 million or ten percent of the total, increasing by 12 percent from 1975 to 1976. Among the remaining institutions within the top ten, Massachusetts, the District of Columbia, and Ohio had increases of between one percent and 15 percent, while the remaining five showed decreases of up to nine percent.

Institutions in the largest size class, those receiving $10 million or more in federal obligations, accounted for 70 percent of the total amount awarded to all institutions.

Federal agencies committed $2,949 million to the 100 leading institutions (in terms of federal funds obligated) in fiscal 1976. This represents about two-thirds of the total obligated to all institutions, similar to the proportion in recent years, but below the high of 87 percent reported in 1963.

This decline in the degree of concentration is largely the result of increases in non-science grants by the office of education.

In recent years federal R & D obligations have been concentrated in states along the atlantic and pacific seacoasts and the great lakes. Texas was the only state outside these areas to receive $50 million or more. The same 12 states comprised the highest category in terms of R & D obligations received ($50 million and over) in 1975 and 1976. California, with approximately $350 million, remained in first place during these years, New York and Massachusetts remained the second and third largest recipients with $259 million and $174 million, respectively. Altogether, 61 percent of all R & D obligations went to institutions in the ten leading states. Nine of these states were also among the top ten in 1975.

Eight of the ten leading institutions receiving federal R & D support in fiscal 1976 were also among the top ten in 1975. Massachusetts Institute of Technology, ranked first in every year since the federal survey series began, received $69 million - the University of Washington ranked second with $60 million, while Standford University, in third place received $58 million. The top ten institutions combined accounted for $516 million, or 23 percent of the total awarded to all institutions.

The 20 institutions receiving the largest amounts of federal R & D obligations received 39 percent of all funding for such purposes. The relative stability of this group is indicated by the fact that since 1963 these same 20 institutions have never received less than 37 percent of the total funds obligated, and in 1963 their proportion of the total was 45 percent.

Fellowships, Traineeships, and Training Grants

Federal obligations aimed at the development and maintenance of scientific manpower declined from $327 million in 1975 to $201 million in 1976, a drop of 38 percent. The amounts allocated for these purposes have declined every year since separate data began to be collected in 1971, with the exception of 1974 when the release of an estimated $60 million in impounded 1973 funds gave the appearance of a $40 million increase. To a large extent, these declines are the result of a shift in federal policy, especially in NIH and NSF, from direct support of graduate students through fellowships and traineeships to indirect support through allocations for R & D projects upon which graduate students may be employed as research assistants.

HEW continues to be the largest source of fellowships, traineeships, and training grants, as was the case in previous years. Of the total, 90 percent was founded by HEW, and 70 percent by NIH. Most of the remainder (five percent) was obligated by NSF.

The life sciences currently are the largest field of fellowships and traineeships, with 67 percent of the total, or $136 million. Of this amount, HEW was the source of 98 percent. The social sciences, the second largest field, accounted for 15 percent of the total. In this case, HEW provided 93 percent of the total.[9]

CONCLUSION

A large number of authoritative studies have documented the contributions of private institutions to higher education and the value of higher education to the nation. Clearly, the quality of our higher education - the variety of academic programs and the range of choices available to students with widely different interests, aptitudes, and financial resources - is unequaled in any other country. Much of this richness stems from private institutions, which for many years were almost the only institutions of higher education in the United States and which remain unique sources of academic strength.

Pressures brought about by the acceleration of inflation, along with the shrinkage in the purchasing power of endowments, have placed private institutions in critical financial difficulties. Survival alone presents a serious challenge to many of them.

Endowment funds and the interest they generate form a key element in the preservation of private institutions. They provide a stable, long-term source of income to support educational programs and to offer financial aid, through scholarship assistance and other forms of help, for students.

The appropriate level of endowment varies from institution to institution, and the trustees of each institution must determine their own needs and goals. Ideally, at a minimum, the endowment of a private institution should enable it to keep its tuition close enough to that of public institutions so that it can continue to attract qualified students.

With the nation facing the virtual certainty of slower growth in higher education and perhaps ultimately a decline in total enrollments; legislators must recognize that it makes little sense, either economically or educationally, to seek to provide higher education facilities or programs that duplicate those already available in the private sector. Nor does it make sense to stand by passively while private institutions founder. If private institutions are allowed to perish, these services will inevitably have to be provided by public institutions whose funding will be drawn primarily from the public treasury.

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[9] National Science Foundation, Federal Support to Universities, Colleges and Non-Profit Institutions (Washington, D.C.: 1977), pp. 1-26.

In a period of uncertainty characterized by a marked decline in the rate of growth, both public and private institutions must make more constructive efforts to avoid wasteful competition. Since few independent institutions are now in a position to think in terms of expansion, the issue arises primarily in the public sector. Legislatures and the governing boards of public institutions should undertake expansion and the construction of new facilities only after careful study demonstrates a vital need for additional educational capacity. All those directly concerned with the well-being of independent institutions should make themselves aware of pending state and federal policy proposals dealing with higher education and urge responsible action on their legislators.[10]

Although the federal government, through its enormous fiscal powers, may ultimately come to play the dominant role in financing higher education, state financing will continue to be indispensable for the indefinite future. In any case, universities and colleges will always have to function in the context of state law and thus will be subject to statewide coordination and planning.

It is important to distinguish between a state's role vis-a-vis academic freedom and its role vis-a-vis institutional autonomy. The two concepts are related but not synonymous. The former usually involves some controversial speech or action by faculty members, students, or administrators to which the state objects. Institutional autonomy, in contrast, involves the institution's attempt to govern itself in the face of state efforts to plan and coordinate higher education on a multilateral basis.

A distinction must be made between procedural autonomy and substantive autonomy. The former refers to state controls over how institutions go about pursuing their goals (e.g., preaudits, line-item budgets, central purchasing); the latter concerns what program goals the institutions are pursuing and how they mesh with the goals of other institutions in the context of state needs and resources. Of course, procedural controls can affect an institution's ability to achieve substantive goals.

In the realm of substantive autonomy, the state has a legitimate but delicate role to play, ensuring that the public interest is adequately protected as institutional development takes place. Notwithstanding the impressive diversity and vitality of American higher education that has emerged in the absence of a centralized system, the need for the function of coordination to be performed on a statewide level has become inescapable.

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[10] John Gilligan, Funds for the Future (New York: McGraw-Hill, 1975), pp. 1-7.

There is no such thing as "no coordination." Where neither voluntary nor statutory agencies have existed, normal state organs - governor's office, budget office, legislature, state auditor, etc. - made the decisions, usually on an ad hoc basis, which implicitly performed this function.

Institutions which, because of strong political influence, have been "winning" under this piecemeal sort of coordination are understandably reluctant to change the ground rules. But the haphazard approach is definitely losing ground in higher education as in other areas of public affairs. Soon the only choice may be whether the comprehensive planning is done by an agency specializing in higher education, by a state executive office responsible for all education, or by a state planning office which uses program budgeting and the newest tools of management information systems to try to integrate the development of all state activities.

SUMMARY OF OUTSTANDING INDEBTEDNESS OF THE AUTHORITY

As of September 1, 1977

The Authority has issued its bonds and notes for the State University, the Senior and Community Colleges of The City University of New York, certain other community colleges, BOCES, the New York State Department of Health, and certain colleges, universities, and hospitals, all located in the State of New York.

All except $198,845,000 of the Authority's bonds and notes outstanding are general obligations of the Authority, payable from any moneys of the Authority legally available for such obligations. For the payment of its general obligation bonds, the Authority relies primarily on payments required to be made by or for the account of the institution for which the bonds were issued. These payments generally are pledged or assigned by the Authority to trustees for the holders of the bonds. For the payment of its general obligation notes, the Authority relies principally on its ability to sell renewal notes or bonds before the maturity of outstanding notes. The Authority has no significant unpledged or unassigned funds or assets available to pay its outstanding bonds and notes.

The total amounts of Authority bonds and notes outstanding as of September 1, 1977, were as follows:

BONDS ISSUED FOR:	AMOUNTS ISSUED	AMOUNTS OUTSTANDING
State University	$ 439,356,000*	$ 366,700,000*
Senior Colleges of The City University of New York	381,460,000†	363,140,000†
Community Colleges of The City University of New York	194,500,000	190,175,000
BOCES	76,540,000	74,638.000
Colleges and universities	718,050,000	585,710,000
Hospitals	118,370,000	110,875,000
Upstate Community Colleges	136,520,000	135,435,000
Department of Health	75,000,000	75,000,000
Totals	$2,139,796,000	$1,901,673,000

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* Includes $35.455.000 State University Refunding Bonds, 1973 Series, that were issued to redeem on July 1, 1982 (subject to certain conditions) the outstanding Dormitory Revenue Bonds, State University Issues, Series H and J.

† Includes $72.160.000 City University Refunding Bonds, 1973 Series, that were issued to redeem on July 1, 1982 (subject to certain conditions), the outstanding Revenue Bonds, City University Issues, Series B, C and D.

NOTES ISSUED FOR:	AMOUNTS OUTSTANDING
State University (Dormitories)	$ 20,935,000
State University (Dining Facilities)	61,465.000
Senior colleges of The City University of New York	7,750,000
Colleges and universities	53,670,000
Community Colleges of The City University of New York	4,600,000
Totals	$148,420,000

DEBT OF SELECTED AUTHORITIES

Functional Group			Debt Outstanding		
Name of Authority	Total Authorized	Authorized but Unissued	Bonds	Notes	Total
			(Millions of Dollars)		
Bridge and Tunnel:					
Buffalo and Fort Erie Public Bridge Authority	$ 15.0	$12.0	$ 2.6	$ -0-	$ 2.6
Lake Champlain Bridge Commission	No Limit	—	-0-	-0-	-0-
Bridge Authority	70.0	32.0	23.0	-0-	23.0
Ogdensburg Bridge and Port Authority	No Limit	—	.9	-0-	.9
Thousand Islands Bridge Authority	No Limit	—	-0-	-0-	-0-
Triborough Bridge and Tunnel Authority	No Limit	—	256.0	-0-	256.0
Commerce and Development:					
Power Authority of the State of New York	No Limit	—	2,178.8	265.0	2,443.8
Parkway and Highway:					
East Hudson Parkway Authority	50.0	-0-	-0-	-0-	-0-
Jones Beach State Parkway Authority	40.0	-0-	7.1	-0-	7.1
New York State Thruway Authority(1)	500.0	8.0	308.4	-0-	308.4
Port Development:					
Albany Port District Commission	No Limit	—	3.5	-0-	3.5
Port Authority of New York and New Jersey(2)	No Limit	—	1,838.4	300.0	2,138.4
Port of Oswego Authority	No Limit	—	-0-	-0-	-0-
Waterfront Commission of New York Harbor	-0-	-0-	-0-	-0-	-0-
Regional Transportation:					
New York City Transit Authority	92.0	2.8	54.4	53.5	107.9
Total			$4,673.1	$618.5	$5,291.6

Source: State Department of Audit and Control.

(1) Does not include $372 million of outstanding debt guaranteed by the State and $100 million of lease-purchase obligations.

(2) Does not include $81 million of outstanding debt guaranteed by the State.

BORROWING FOR CAPITAL FINANCING

	Fiscal Years (Millions of Dollars)									
	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
State General Obligations:										
Bonds Outstanding	$1,473	$1,729	$1,799	$2,104	$2,435	$3,040	$3,319	$3,266	$3,109	$3,255
Notes Outstanding(1)	296	529	724	1,026	927	411	129	243	532	452
Authorized But Unissued	3,987	3,427	3,077	2,377	2,035	2,964	2,811	2,837	2,538	2,305
Issued During Year(2)	501	560	350	700	342	219	152	225	299	233
State-Guaranteed Authority Indebtedness:										
Bonds Outstanding	$ 475	$ 514	$ 536	$ 525	$ 581	$ 582	$ 566	$ 560	$ 541	$ 537
Notes Outstanding(1)	48	33	35	33	-0-	-0-	-0-	-0-	-0-	-0-
Authorized But Unissued	100	67	115	102	90	75	75	65	65	85
Issued During Year(2)	25	33	52	13	12	15	-0-	10	-0-	15
Authority and Other Lease-Purchase Obligations(3):										
Bonds Outstanding	$1,102	$1,290	$1,653	$1,921	$2,243	$2,709	$3,022	$3,214	$3,330	$3,566
Notes Outstanding(1)	276	324	267	350	500	473	406	391	400	295
Authorized But Unissued(4)	NA	NA	729	595	373	446	434	404	1,204(5)	1,038(5)
Issued During Year(2)	NA	NA	NA	NA	NA	573	489	285	307	224
Authority Moral Obligation Indebtedness:										
Bonds Outstanding	$ 424	$ 490	$ 642	$1,122	$1,660	$2,547	$3,624	$4,101	$7,751(7)	$7,793(7)
Notes Outstanding(1)(6)	238	354	481	760	849	1,173	1,049	1,016	1.417(8)	993(8)
Authorized But Unissued(4)	NA	NA	5,909	8,343	9,870	9,160	8,175	6,335	6,569(5)	6,675(5)
Issued During Year(2)	NA	NA	NA	1,332	1,555	2,228	2,382	360	5,077(9)	−113

NA: Not Available.

Source: State Department of Audit and Control.

(1) To avoid duplication these figures do not include bond anticipation notes for which bonds had been issued but which had not been redeemed at year-end.

(2) Includes long-term debt plus net increase or decrease in bond anticipation notes. These figures have been adjusted to avoid duplication as discussed in note 1.

(3) Included in this category are two HFA programs (State University of New York and Mental Hygiene) which also have the moral obligation provision.

(4) Includes information for only those programs with statutory borrowing limits.

(5) Gives effect to statutory limitations imposed effective April 1, 1976 as part of the Authority Build-Out Plan. Certain lease-purchase programs have no statutory limit on the amount of debt that may be incurred.

(6) The notes do not have the benefit of a moral obligation provision, but may be refinanced through the sale of bonds having the benefit of such a provision.

(7) Includes $3.537 billion and $3.510 billion, respectively, issued by MAC.

(8) Includes $299 million issued by MAC.

(9) Includes $3.836 billion issued by MAC.

TEN-YEAR ECONOMIC DATA

The following table sets forth certain economic data for the periods indicated.

	Calendar Years									
	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Indices of Business Activity (1967 = 100)										
Total Activity Index	100	104	107	105	105	108	112	108	104	106
Manufacturing Activity	100	103	105	98	94	97	103	100	96	104
Retail Activity	100	108	106	104	107	108	108	100	95	96
Service Activity	100	103	107	111	110	116	119	116	112	118
Wholesale Activity	100	104	105	103	104	109	113	112	99	101
Construction Activity	100	105	113	118	111	103	114	91	65	51
Transportation, Communications and Public Utilities Activity	100	105	108	107	107	109	112	106	101	104
Finance, Insurance, Real Estate Activity	100	106	110	113	123	132	139	143	148	152
Construction Contracts (Millions of Dollars)										
New York State	3,907	4,783	6,532	5,546	5,463	5,992	5,737	4,775	4,282	4,766
United States	54,514	61,732	67,446	67,097	80,188	91,062	99,304	94,370	90,237	103,678
New Housing Units Started (Thousands)										
New York State	77	81	70	67	103	111	79	52	30	NA
United States	1,322	1,548	1,500	1,463	2,081	2,379	2,058	1,353	1,096	NA
Governmental Revenue (Millions of Dollars)										
New York State	5,747	6,462	7,935	9,012	9,457	11,165	13,806	13,824	14,858	NA
All States	52,071	59,132	67,312	77,755	85,099	98,632	113,125	122,327	134,611	NA
Per Cap. Rev. (Dols.)										
New York State	313	357	433	495	514	608	756	763	820	NA
All States	264	297	335	384	414	475	541	581	634	NA
Taxes (Millions of Dollars)										
New York State	4,056	4,447	5,330	6.117	6,248	7,019	8,170	8,516	8,939	NA
All States	31,926	36,400	41,931	47,962	51,541	59,870	68,069	74,207	80,155	NA
Per Capita Taxes (Dollars)										
New York State	221	246	291	336	340	382	447	470	493	NA
All States	162	183	208	237	251	289	326	352	377	NA
Governmental Expenditures (Millions of Dollars)										
New York State	6,038	7.010	8,445	9,206	10,493	12,353	13,177	14,160	15,705	NA
All States	53,305	60,393	68,014	77,642	89,118	98,810	108,086	119,891	138,304	NA
Per Capita Expenditures (Dols.)										
New York State	321	387	461	506	571	673	721	779	867	NA
All States	270	303	338	384	434	476	517	569	651	NA
Total State Payroll (All Funds) (Millions of Dollars)	958	1,065	1,262	1,437	1,689	1,785	1,928	2,146	2,375	2,386
Per Cap. Adjusted State Tax Collections (Dollars)(1)	216	229	278	320	326	362	425	451	479	560
Ratio, Adjusted State Tax Collections to Personal Income (%)	6.0	5.9	6.7	7.2	6.9	7.3	8.1	8.0	7.8	7.7

Source: U. S. and State Departments of Commerce and State Department of Audit and Control.

NA: Not Available.

(1) Adjusted State tax collections represent the amount of taxes collected during the year on a consistent basis so that tax trends may be ascertained. In developing the adjusted figures, collections from tax accelerations have been eliminated, actual tax collections are shown without adjustments to personal income tax refund reserves, and taxes credited to earmarked Funds have been added back.

STATE GENERAL OBLIGATION DEBT

As of July 31, 1977

Purpose	Total Authorized	Authorized but Unissued	Amount of Debt Outstanding		
			Bonds	Notes[1]	Total
			(Millions of Dollars)		
General State Improvements	$ 100.0	$ -0-	$ .1	$ -0-	$ .1
Grade Crossing Elimination	240.0	-0-	26.5	-0-	26.5
State Park System	15.0	-0-	.3	-0-	.3
Highway Construction	500.0	-0-	214.3	-0-	214.3
Transportation Capital Facilities					
Highways	1,250.0	-0-	898.9	-0-	898.9
Mass Transportation	1,000.0	440.5	453.2	52.9	506.1
Aviation	250.0	154.5	84.4	2.0	86.4
Pure Waters	1,000.0	357.0	503.3	86.0	589.3
Low Income Housing	960.0	27.6	572.7	34.2	609.6
Middle Income Housing	150.0	.5	134.2	-0-	134.2
Urban Renewal	25.0	6.6	4.3	6.4	10.7
Mental Health Facilities	350.0	-0-	105.0	-0-	105.0
Higher Education Facilities	250.0	-0-	141.0	45.4	186.4
Park & Recreation Land Acquisition	100.0	5.0	33.0	-0-	33.0
Outdoor Recreation Development	200.0	36.4	110.3	30.1	140.4
Environmental Quality					
Water	650.0	595.6	5.7	48.7	54.4
Air	150.0	133.0	-0-	17.0	17.0
Land and Wetlands	350.0	318.7	6.0	25.3	31.3
Rail Preservation	250.0	229.6	12.0	8.4	20.4
	$7,790.0	$2,305.0	$3,305.2	$356.4	$3,661.6
Tax and Revenue Anticipation Notes					3,691.5
Total General Obligation Debt					$7,651.6

Source: State Department of Audit and Control.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS[1]

(Millions of Dollars)

Maturity		Interest	Principal	Total
Fiscal Year	1977-78[2]	$ 116.5	$ 134.2	$ 250.7
	1978-79	148.8	182.6	331.4
	1979-80	139.3	176.7	316.0
	1980-81	130.2	174.2	304.4
	1981-82	121.5	173.5	295.0
	1982-83	112.9	171.7	284.6
	1983-84	104.4	167.1	271.5
	1984-85	96.0	164.3	260.3
	1985-86	87.7	162.3	250.0
	1986-87	79.7	152.2	231.9
	1987-88	72.2	149.8	222.0
	1988-89	64.8	134.5	199.3
	1989-90	58.2	128.1	186.3
	1990-91	51.9	123.4	175.3
	1991-92	46.2	111.1	157.3
	1992-93	41.2	93.7	134.9
	1993-94	37.0	74.9	111.9
	1994-95	33.5	72.8	106.3
	1995-96	30.1	72.1	102.2
Fiscal Years	1996-2023	189.0	686.0	875.0
Total for Fiscal Years 1977-78 to 2022-23		$1,761.1	$3,305.2	$5,066.3

Source: State Department of Audit and Control.

(1) Debt service includes principal and interest on bonds of the State outstanding on July 31, 1977. Debt service does not include principal or interest on any other obligations. Debt service is payable primarily from money in the General Fund. Money is also available for debt service in certain Funds of the State other than the General Fund, such as the State Housing Debt Fund and the Grade Crossing Elimination Debt Fund. It is contemplated that such Funds will continue to pay a portion of the State's debt service requirements.

(2) Amounts are for the period August 1, 1977 through March 31, 1978.

STATE-GUARANTEED DEBT

As of June 30, 1977

	Total Authorized	Authorized but Unissued	Amount of Debt Outstanding		
			Bonds	Notes	Total
			(Millions of Dollars)		
Port Authority of New York and New Jersey (Commuter Car Program)	$100	$21	$ 79	-0-	$ 79
New York State Thruway Authority	500	-0-	365	-0-	365
Job Development Authority (General Purpose)	150	66	84	-0-	84
Total State-Guaranteed Debt ..	$750	$87	$528	-0-	$528

Source: State Department of Audit and Control.

STATE LEASE-PURCHASE FINANCING

As of June 30, 1977

	Total Authorized	Authorized but Unissued	Amount of Debt Outstanding(1)		
			Bonds	Notes	Total
			(Millions of Dollars)		
* Housing Finance Agency					
State University Construction(2)	$3,000	$ 979	$1,605	$215	$1,820
Mental Hygiene Construction(2)	705	59	572	2	574
Total HFA Financing	3,705	1,038	2,172	217	2,394
* Dormitory Authority					
Health Facilities	75	—	75	—	75
SUNY Dormitory Facilities	No Limit	No Limit	375	21	396
SUNY Dining Hall Facilities	No Limit	No Limit	—	62	62
Total Dormitory Authority Financing			450	83	533
New York State Thruway Authority Reconditioning & Preservation	100	—	75	—	75
Financing of State Office Buildings					
County of Albany—Empire State Plaza	No Limit(3)	No Limit	746	—	746
Other Municipalities	No Limit	No Limit	51	—	51
Retirement Systems	No Limit	No Limit	17	—	17
Total Financing of State Office Buildings			814	—	814
Total Lease-Purchase Financing			$3,516	$300	$3,816

Source: State Department of Audit and Control.

* A Build-Out Authority.

(1) Not reflected in this table is approximately $334 million of indebtedness of the Dormitory Authority issued to finance educational construction by City University of New York. The State contributes, subject to annual appropriations, to rental payments in amounts equal to 50% of the debt service on these obligations.

(2) Also have benefit of moral obligation provisions.

(3) The State and the County of Albany have a contract that this amount will not exceed $985 million. This contract has been amended and may be further amended to reflect changes in the total cost of this project, which is now substantially complete.

STATE MORAL OBLIGATION FINANCING[1]

	Total Authorized	Authorized but Unissued	Maximum Moral Obligation Provision[2]	Debt Outstanding		
				Bonds	Notes[3]	Total
			(Millions of Dollars)			
• Housing Finance Agency[4]						
Municipal Health[5]	$ 800	$ 325	$ 675	$ 440	$ 22	$ 462
Youth Facilities	100	80	24	—	2[6]	2
Senior Citizens[5]	50	48	3	—	19[6]	19
General Housing	2,100	483	338	330		330
Non-Profit Housing			793	575	111	686
Urban Rental			645	162	370	532
Equity Loan			1	—	—	—
Hospitals and Nursing Homes	1,950	1,125	916	568	248[7]	816
Mental Health and Retardation Facilities[5]	100	84	13	—	10[8]	10
Total Housing Finance Agency	5,100	2,153	3,408	2,075	782	2,857
• Dormitory Authority Community Colleges[5]	No Limit	No Limit	740	274	93	318
• Medical Care Facilities Finance Agency Hospital and Nursing Homes	2,000	1,810	240	62	117	179
Urban Development Corporation	1,295	231	1,295	1,059	—	1,059
Project Finance Agency	305	3	305	234	—	234
State Mortgage Agency	750	345	387	373	—	373
Battery Park City Authority						
Project Costs	300	100	200	200	—	200
Housing Loans	400	400	85	—	—	—
Energy Research and Development Authority	No Limit	No Limit	10	9	—	9
United Nations Development Corporation	60	5	60	55	—	55
• Environmental Facilities Corporation	No Limit	No Limit	41	3	9	12
Job Development Authority (not State-Guaranteed)	75	70	5	5	—	5
Municipal Assistance Corporation For The City of New York[5]	5,800[9]	4,139	5,800	4,139	—	4,139
Total Moral Obligation Debt			$12,576	$8,488	$ 953	$9,440

Source: State Department of Audit and Control.

• A Build-Out Authority.

[1] Certain other Authorities formerly had the power (which was never exercised) to issue moral obligation debt, but the legislation granting such power has been repealed.

[2] Maximum amounts of indebtedness, previously issued, and authorized to be issued in the future, which may be secured by a debt service reserve fund to which State money is apportionable.
Does not reflect certain reductions resulting from retirement of certain obligations.

[3] The notes do not have the benefit of a moral obligation provision, but may be refinanced through the sale of bonds having the benefit of such a provision.

[4] Does not include two programs that are supported by lease-purchase agreements.

[5] Program also supported by periodic State aid payments to participating municipalities.

[6] Thirty-year notes held by the State.

[7] Includes $11.3 million in long-term notes for the Mt. Sinai Hospital project.

[8] Forty-year notes held by the State.

[9] Reflects increase in authorization effective in July, 1977.

TOP TEN UNIVERSITIES RECEIVING THE LARGEST AMOUNTS OF FEDERAL GRANTS

1. UNIVERSITY OF WASHINGTON
2. M.I.T.
3. HOWARD UNIVERSITY
4. UNIVERSITY OF CALIFORNIA - LOS ANGELES
5. *UNIVERSITY OF MINNESOTA
6. STANFORD UNIVERSITY
7. COLUMBIA UNIVERSITY
8. HARVARD UNIVERSITY
9. UNIVERSITY OF CALIFORNIA - SAN DIEGO
10. *UNIVERSITY OF WISCONSIN

* HOME STATE NOT IN TOP TEN

NOTE: IT IS INTERESTING THAT THE STATE UNIVERSITY OF NEW YORK, ONE OF IMPRESSIVE SIZE AND DISTINCTION IS NOT IN THE TOP TEN. IN FACT SUNY AT BUFFALO AND STONY BROOK CURRENTLY RANK JUST BELOW THE TOP 50.

SOURCE: NATIONAL SCIENCE FOUNDATION

TOP TEN STATES RECEIVING THE LARGEST AMOUNTS OF FEDERAL GRANTS

STATE	APPROXIMATE % OF TOTAL OBLIGATIONS
TOP TEN	53.7
1. CALIFORNIA	11.7
2. NEW YORK	10.1
3. MASSACHUSETTS	5.8
4. TEXAS	4.8
5. PENNSYLVANIA	4.7
6. ILLINOIS	4.5
7. WASHINGTON D.C.	3.1
8. MICHIGAN	3.1
9. OHIO	3.0
10. NORTH CAROLINA	2.9

SOURCE: NATIONAL SCIENCE FOUNDATION

APPROXIMATE FEDERAL OBLIGATIONS TO UNIVERSITIES AND COLLEGES BY HIGHEST LEVEL OF DEGREE GRANTED IN THE SCIENCES AND ENGINEERING

DOCTORATES	80%
MASTER'S	5%
BACHELORS	8%
NO SCIENCE DEGREES	7%

INSTITUTIONAL CONTROL

PER CENT OF TOTAL

	ALL INSTITUTIONS	DOCTORATES	MASTERS	BACHELORS	NO SCIENCE DEGREES
PRIVATE	39%	39%	25%	68%	17%
PUBLIC	61%	61%	75%	32%	8%

SOURCE: NATIONAL SCIENCE FOUNDATION

NATIONAL ENDOWMENT FOR THE HUMANITIES

Summary of Grants and Awards: Fiscal Year 1976[1]

Programs	Number of Awards	Amount Obligated		
		Outright	Gifts & Matching	Total
Public Programs	***269***	***$28,328,558***	***$2,866,958***	***$31,195,516***
State-based programs	84	18,092,050	900,804	18,992,854
Media grants	64	5,086,429	1,250,000	6,336,429
Museums & historical organizations	100	3,700,066	716,154	4,416,220
Program development	21	1,450,013	--	1,450,013
Education Programs	***277***	***18,372,898***	***1,675,398***	***20,048,295***
Institutional grants	171	7,771,652	642,100	8,413,752
Consultants	(99)	(369,504)	(--)	(369,504)
Pilot	(34)	(1,275,059)	(--)	(1,275,059)
Development	(38)	(6,127,089)	(642,100)	(6,769,189)
Projects	103	9,582,984	1,033,298	10,616,281
Higher education	(43)	(2,266,587)	(313,888)	(2,580,475)
Humanities institutes	(22)	(1,855,331)	(110,914)	(1,966,245)
Elementary and secondary	(38)	(5,461,066)	(608,495)	(6,069,561)
Cultural institutions	3	1,018,262	--	1,018,262
Fellowship Programs	***694***	***11,329,465***	***327,000***	***11,656,465***
Residential programs				
College teachers	174	2,741,817	235,000	2,976,817
Summer seminars	78	3,228,992	--	3,228,992
Professions	16	1,338,995	72,000	1,410,995
Centers for advanced study ...	11	608,000	20,000	628,000
Independent study programs				
Independent	184	2,949,661	--	2,949,661
Summer stipends	231	462,000	--	462,000
Research Grants Programs	***296***	***12,325,966***	***6,232,167***	***18,558,133***
General research	105	2,532,918	2,552,993	5,085,911
Basic	(93)	(2,184,532)	(2,478,881)	(4,663,413)
State, local & regional history ..	(12)	(348,386)	(74,112)	(422,498)
Research materials	126	7,036,170	808,861	7,845,031
Tools	(75)	(4,740,942)	(548,963)	(5,289,905)
Editing	(51)	(2,295,228)	(259,899)	(2,555,127)
Centers of research	58	2,547,252	2,692,572	5,239,824
Bicentennial state histories	1	146,176	--	146,176
International bicentennial conferences	6	63,450	177,740	241,190

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[1] Includes supplemental awards for previous years' grants.

Note: Detail may not add to totals due to rounding.

SOURCE: NATIONAL ENDOWMENT FOR
FOR THE HUMANITIES(STATISTICS
PUBLISHED 7/25/77)

NEW YORK STATE OVERVIEW
(APPLIED TO PRECEDING PAGE)

PROGRAMS	APPROX. # OF AWARDS	%	$(000)	%
PUBLIC	46	17%	4,235	13
EDUCATION	25	9%	4,911	24
FELLOWSHIP	73	10%	1,195	10
RESEARCH GRANT	75	25%	9,000	48

NATIONAL ENDOWMENT FOR THE ARTS

Financial Summary

Summary of Funds Available	Fiscal Year 1976	Transition Quarter
Appropriation, Regular Program Funds	$74,500,000[1]	$33,437,000[1]
Appropriation, Treasury Funds (to match non-federal gifts)	7,500,000	500,000
Total, Federal Appropriations	$82,000,000	$33,937,000
Non-federal Gifts, Treasury Fund (to release Federal appropriation)	$ 7,520,000[2]	$ 510,000
Transferred from Other Agencies	1,496,103[3]	41,949
Transferred to Other Agencies	(175,645)	(44,500)
Recovery of Prior Year Obligations	588.461	229,041
Unobligated Balance, Prior Year	4,218,502[4]	2,970,719[5]
Total Funds Available	$95,617,421	$37,644,209[6]

[1] Not less than 20% for support of State Arts Agencies and Regional Groups.

[2] Includes $6.456.363 received in Fiscal 1976, and $1,063.637 received in Fiscal 1975.

[3] Includes $1.183.263 in projects supported with financial assistance from the Department of Commerce Job Opportunities Program, Title X of the Public Works and Economic Development Act as amended.

[4] Includes $1.217.949 represented by equity in assets not available for obligation. $869.281 in program funds and $2,131,272 in Treasury Funds (Federal and non-federal).

[5] Includes $1.217.949 represented by equity in assets not available for obligation. $869.281 in program funds and $883.489 in Treasury Funds (Federal and non-federal).

[6] Excludes $3.051 in transfer funds which were returned, and $12.956 in de-obligations which were made against Fiscal Year 1976 grants.

Funds Obligated	Fiscal Year 1976	Transition Quarter
Architecture	$ 3,618,853	$ 177,699
Dance	5,612,687	1,372,299
Education	4,543,970	493,995
Expansion Arts	5,373,972	1,101,464
Federal-State Partnership Program	15.640,694	12,502,669
Literature	2,130,857	545,034
Museums	11,460,099	2,632,640
Music	17,249,296	9,724,680
Public Media	9,312,374	2,244,530
Special Projects	5,390,214	598,557
Theatre	6,346,890	3,217,029
Visual Arts	3,588,955	44,490
Program Development and Evaluation	2,357,960	1,044,516
Miscellaneous	19,881	8,753
Total Funds Obligated	$92,646,702	$35,708,355[1]

[1] Includes $12,956 in de-obligations which were made against Fiscal Year 1976 grants.

Funds Obligated by Goal	Fiscal Year 1976	Transition Quarter
Goal I	$42,867,951	$15,705,303
Goal II	24,485,273	13,852,896
Goal III	22,912,034	5,096,477
Program Development and Evaluation	2,357,960	1,044,516
Miscellaneous	23,484	9,163
Total Funds Obligated by Goal	$92,646,702	$35,708,355[1]

[1] Includes $12,956 in de-obligations which were made against Fiscal Year 1976 grants.

NOTE: NEW YORK STATE APPROPRIATIONS UNDER THE FEDERAL-STATE PARTNERSHIP TOTALED $305,000 FOR THE FISCAL YEAR (2%)

SOURCE: NATIONAL ENDOWMENT FOR THE ARTS

CHAPTER 6

STUDENT ASSISTANCE: THE BASIC EDUCATION OPPORTUNITY GRANT

Alphonse Mekalainas

BACKGROUND OF THE PROGRAM

The Basic Education Opportunity Grant (BEOG) program is a Federal aid program designed to provide financial assistance to those who need it to attend post-high school educational institutions.[1] A cash grant is made directly to the student by the Federal government. The guarantee is to equal one-half the cost (including living expenses) of going to school, but it can't exceed $1,400 per year. No grant of less than $200 per year is made.

The guaranteed amount is reduced dollar for dollar by student receipt of social security or veteran benefits related to school attendance. It is further reduced by an amount equal to five percent of parents net assets in excess of $7,500 and by 33-1/3 percent of a student's net asset.[2] The guaranteed amount is increased if a family has more than one dependent in a post-secondary school.

The formula by which the Commissioner of the Office of Education, who administers the program, calculates the "reasonable" family contribution must be submitted annually to the Congress no later than the first of the February preceeding the academic year in which it is to be applicable. Either house has until May 1st to disapprove the proposed schedule. If neither house does so, the schedule becomes effective at the beginning of the following academic year.[3]

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[1] 1977-78 Basic Education Opportunity Grant Program (Washington, D.C.: GPO, 1976), p. 2.

[2] Lee W. Hansen and Robert J. Lampen, Basic Opportunity Grants for Higher Education: Will the Outcome Differ from the Intent? (1974), p. 1.

A resolution of disapproval may be voted on by either house. The resolution need not specify the rationale for disapproval. In the event a resolution of disapproval were passed (none ever has been), the law requires that the Commissioner publish a new schedule no less than 15 days after such resolution is approved, "taking into consideration such recommendations as may be made in connection with such resolution."[4]

Students will be eligible for a grant if they meet all the following important criteria:

1. They have established their financial means of filing the Basic Grant application;
2. They will be enrolled in an undergraduate course of study and have not previously received a Bachelor's degree from any institution;
3. They will be enrolled on at least a half time basis in an eligible program of study at one of the over 6,000 colleges, universities, vocational, technical, or career training schools which have been determined eligible for the Basic Grant Program; and
4. They are U. S. Citizens or permanent residents or are approved by the Immigration and Naturalization Service to be in the United States for other than a temporary purpose or are permanent residents of the Trust Territories of the Pacific Islands.[5]

The law requires that financial need for Basic Grants be assessed by a formula which is reviewed by Congress each year and is applied uniformly to all applicants. This formula, called the Family Contribution Schedule, takes into account such indicators of family financial strength as income, assets, family size, and family educational expenses.[6] In order to apply for

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[3] Hearing Before the Subcommittee on Post-Secondary Education of the Committee on Education and Labor, Basic Education Opportunity Grant Program, (Washington, D.C.: GPO, 1975), p. 2.

[4] 1977-78 Basic Education Opportunity Grant Program, p. 2.

[5] Office of Education, Bureau of Student Financial Assistance, Post-Secondary Institutions Eligible for the Basic Grants Program, (Washington, D.C.: GPO, 1977), p. i.

[6] 1977-78 Basic Education Opportunity Grant Handbook, (Washington, D.C.: GPO, 1977), p. 3-1.

for a Basic Grant, students must submit a Basic Grant Application for the appropriate academic year. This is vital because revisions in the Family Contribution Schedules cause the forms to be revised each year.

According to Basic Grant regulations, an undergraduate student is one who has not received a first baccalcurate degree. Students who have received a bachelors' degree are not eligible for Basic Grants, regardless of the current level of course work, and regardless of the eligibility of the institution at which the degree was received (i.e., students with the equivalent of U. S. baccalcurate degrees received at foreign institutions are not eligible for Basic Grants).[7]

During the first two years of operation of the Basic Grant Program, only those who were enrolled as full time students were eligible to receive assistance. However, beginning with the 1975-76 academic year, program eligibility criteria were broadened by legislative action to include students who will be enrolled on at least a half-time basis.[8] Basic Grant recipients must be classified as either full-time, three-quarter time or half-time. The amount of a student's award depends on the student's enrollment status. A student classified as half-time will receive a smaller grant than either a three-quarter time or full-time student.

In order to be classified a half-time student, a student must be taking a minimum of six credit hours per term for institutions which utilize semesters, trimesters or quarters, twelve credit hours or 18 quarter hours per school year for institutions which measure progress in terms of credit hours but do not utilize semesters, trimesters or quarters and 12 clock hours per week for schools which utilize clock hours to measure progress. Similarly, the minimal for three-quarter time enrollment are nine semester or quarter hours per term, 18 semester hours or 27 quarter hours per school year or 18 clock hours per week. In order to be considered full-time, a student must be enrolled for at least 12 semester or quarter hours per term, 24 semester hours or 36 quarter hours per school year or 24 clock hours per week.

Because the student aid programs sponsored by the Office of Education are considered to be domestic assistance programs, eligibility is restricted to those persons who are citizens or nationals of the United States or permanent residents and in this country for other than a temporary purpose. Therefore, students who are in this country on F1 or F2 student visas are, by definition, in this country for a temporary purpose and are not eligible to receive any assistance through these student aid programs.

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[7] Ibid., p. 3-2.

[8] 1976-77 Basic Education Opportunity Grant Handbook, (Washington, D.C.: GPO, 1976), p. 3-4.

Non-citizens who have permanent resident status in the U. S. will hold a form I-151. "Alien Registration Receipt Card". These students are eligible to apply for Basic Grants.[9] With the exception of certain types of refugees, non-citizens holding form I-94, "Arrival-departure record" are not considered to be in the United States for more than a temporary purpose, and are thus not eligible to apply for Basic Grants.[10]

According to the Immigration and Naturalization Service, an alien who wishes to apply for Permanent Resident Status must meet one of four requirements:

1. He or she must be married to a U. S. citizen.
2. He or she must be married to a lawful permanent resident.
3. He or she must be directly related to a citizen or permanent resident.
4. He or she must have a definite job offer.

Approximately three months after a non-immigrant applies for permanent resident status, he receives an Approval Notice from the Immigration and Naturalization Service stating whether or not he has been found to meet one of the four requirements. For the purposes of Basic Grants, a non-immigrant will be considered to be in the U. S. for more than a temporary purpose and intending to become a permanent resident only if he can furnish an Approval Notice stating that he meets one of the above four conditions.[11]

Refugees who hold a form I-94 bearing endorsement by the Immigration and Naturalization Service showing that they have been paroled indefinitely, or have been granted indefinite voluntary departure or conditional entry are considered eligible to apply for a Basic Grant.[12] Recent Southeast Asian refugees were granted voluntary departure when they entered the United States in 1975, therefore, they are eligible to apply for Basic Grant assistance. Any Vietnamese or Cambodian national who was in the United States on a student visa and wishes to remain here should apply for an adjustment of status. This can be accomplished at the nearest Immigration and Naturalization Service Office, to which other questions on refugee status should also be directed.[13] It should be noted that Southeast Asian students who already hold a bachelors' degree or the equivalent from any institution, foreign or American, are not eligible for Basic Grants, since they would not be considered undergraduate students.

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[9] 1977-78. Basic Education Opportunity Grant Handbook, p. 3-3.

[10] Ibid.

[11] Ibid.

[12] Ibid.

Regulations specify that in order to receive a Basic Grant, a student must be enrolled in a good standing or accepted for enrollment as a regular student in an eligible program of post-secondary education at an eligible institution. The information submitted on a Basic Grant application form is used to determine whether the student's financial situation would entitle him or her to a Basic Grant Award. A student who receives a Student Eligibility Report which says that (s)he is eligible to receive a Basic Grant is not entitled to Basic Grant monies unless (s)he enrolls in an eligible program at an eligible institution of post-secondary education. In addition, students who are not making satisfactory academic progress at their post-secondary institution in which they are enrolled are not entitled to their Basic Grant awards.[14]

The criteria for institutional eligibility are defined by law. The determination of an individual institution eligibility under all of the student financial aid programs sponsored by the Office of Education is made by the Division of Eligibility and Agency Evaluation (DEAE) of the Bureau of Post-Secondary Education. In order for students to receive financial assistance under the BEOG program, the institution must be determined eligible for the BEOG program. It is important to note that accreditation or approval for any other Federally sponsored program does not necessarily mean that a school is eligible for any other Federal sponsored program. Students who are enrolled in institutions which have not been determined eligible by DEAE cannot receive financial assistance from the BEOG program.

HISTORY OF THE BEOG PROGRAM

The Higher Education Act of 1965 authorized the first Federal program of non-repayable grants of up to $1,000 to students from low income families.[15] As greater strain was placed on the Federal budget in the 1970's, pressure grew for Federal and State governments to increase student assistance. Many educators said they were committed to the "package" approach to financing student assistance. The financial-aid packages, which provide a combination of grants, loans and work for needy students, provided the flexibility to reach a large number of students with differing financial needs.[16] Therefore, with the passage of the Education Amendments of 1972, which made major revisions in the Higher Education Act of 1965, new Federal programs were added to the old ones. A new grant program called BEOG was created as one of several programs under this Higher Education Act, to insure that eligible college students would at least have a basic sum of money to attend college.[17]

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[13] Ibid., p. 3-4.

[14] Ibid.

[15] "Federal Student Aid and How It Grew," The Chronicle of Higher Education, (October, 1977), p. 6.

The Basic Grant appropriation for the 1973-74 academic year was $122.1 million and eligibility was restricted to students who began their education after July 1, 1973 and who were enrolling on a full-time basis.[18] Awards for 1973-74 ranged from $50-$452. During the second year of operations (1974-75), appropriations were $475 million and award levels ranged from $50-$1,050. Eligibility was expanded to include a second class of students who began their post-secondary education after April 1, 1973 and who were enrolling on a full-time basis. During the third year of operations (1975-76), $1 billion was available and award levels ranged from $200 to $1,400. Eligibility was expanded further to include third year undergraduate students who began their post-secondary education after April 1, 1973 and who were enrolling on at least a half-time basis.[19]

For the 1976-77 academic year, the Basic Grant appropriation language no longer specified that eligibility be restricted to those students "who began or will begin their post-secondary education after April 1, 1973". Basic Grants were made available to all eligible undergraduate students who enrolled on at least a half-time basis between July 1, 1976 and June 30, 1977.[20] In addition to the above expansion of eligibility, Congress approved for the 1975-76 academic year changes in the Family Contribution Schedules liberalizing the treatment of assets, effective income, family size offsets, and independent students.[21] These changes were based on program experience and were designed to improve the equity of the program.

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[16] "Federal Student Aid and How It Grew," p. 6.

[17] *Ibid*.

[18] Office of Education, Office of Planning, Budgeting, and Evaluation, *Annual Evaluation Report of Programs Administered by the U. S. Office of Education, 1976* (Washington, D.C.: GPO 1976), p. 213.

[19] *Ibid*.

[20] *Ibid*.

[21] *Ibid*.

As a result of changes in eligibility, the movement to full-funding, and changes in the Family Contribution Schedules, the Basic Grant Program grew dramatically over the 1973-75 period both in terms of numbers of students served and in average awards. The number of BEOG recipients increased from 185,249 in the 1973-74 academic year to 1,268,300 in the 1975-76 academic year (585 percent) while the average award grew from $269 to $775 a year (188 percent).[22] For the 1977-78 academic year, an estimated number of 1,975,000 recipients will receive Basic Grants awards. The estimated total cost to the government will be $1,673,000.[23]

Perhaps more interesting than the overall growth of the BEOG Program is the changing composition of qualifying applicants in terms of income and dependency status. Over the first three years of operation of the Basic Grant program the number of eligible independent applicants has increased from 35,803 in 1973-74 to 433,251 in 1975-76 (or by a factor of approximately 12). As a percentage of all eligible applicants, independent applicants have increased their share of total qualifying applicants from 12.3 percent in 1973-74 to 26.8 percent in 1975-76.[24] These changes have had important consequences for the overall income distribution of eligibles which if reflected in the income distribution of participants (which is presumably the case) has substantial budgetary implications. The percentage of all applicants with family income under $3,000 increased from 25.6 percent in 1973-74 to 29.7 percent in 1975-76. This change occurred in spite of the fact that dependent eligibles in the $0-$2,999 income class declined over this period from 17.0 percent of 12.2 percent of all qualifying applicants.[25] While total program expenditures data (and/or average awards) by dependency status are not available it is likely that the increase in the ratio of independent to total eligible understates the increase in the share of total BEOG expenditures received by independent students. This is because these students are disproportionately represented in the lowest family income classes.

THE PURPOSE OF THE PROGRAM

The Basic Education Opportunity Grant program is a source of Federal student financial aid which became available to eligible students for the first time during the 1973-74 academic year. The purpose of the Basic Grant program is to provide eligible students with a "floor" of financial aid to help them defray the costs of post-secondary education.[26] Student eligibility is primarily based on financial need determined on the basis of a formula developed by the Office of Education and reviewed by Congress annually and is applied uniformly to all applicants. The result of applying this formula is called the student's eligibility index and is used solely for purposes of determining the amount of a student's Basic Grant award. Eligibility for Basic Grants is determined on the basis of financial need and that there is no scholastic determination made.

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[22] Ibid.

[23] Office of Education, Bureau of Student Financial Assistance, Student Financial Aid/1977-78 Handbook, (Washington, D.C.: GPO, 1977), p. 1-1.

[24] Annual Evaluation Report of Programs Administered by the U. S. Office of Education, 1976, p. 214.

[25] Ibid.

The BEOG program authorized by the Education Amendments of 1972 signaled a new era in the financing of higher education. This new pattern of funding is seen by the Carnegie Commission as necessary to the achievement of three major goals:

1. To minimize the financial obstacle to college attendance, and thus to implement the principle of universal access to college education.
2. To seek to improve equity in the funding pattern of higher education, both in direct charges to students and parents, and in indirect charges to the taxpayers in general.
3. To retain and strengthen the vitality of the diverse system of public and private institutions of higher education.[27]

The BEOG program tries to minimize the financial obstacle to college attendance through its disbursement of cash grants to students from low income backgrounds. The program in this way tries to let students attend college who would otherwise have a difficult time of doing so on their own. The BEOG program seeks to improve equity in the funding pattern of higher education through the disbursement of cash grants to students and their families that is financed by taxes paid by our taxpayers. Finally the BEOG program tries to achieve a well educated population from a wide variety of backgrounds. The BEOG program mainly tries to help low income students who are predominantly from minority backgrounds achieve a post-secondary education. The purpose of the BEOG program may change in the near future. President Carter has said that he wants the BEOG program to also help middle income students attend a post-secondary institution of their choice. This is because the cost of a education today is making it more difficult for a middle income student to attend college.

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[26] Ibid., p. 211.

[27] Hansen, p. 1.

IMPLICATIONS FOR POST-SECONDARY INSTITUTIONS

A key concept of the BEOG program is that of the family unit whose income must be counted in calculating benefits. This concept is critical to the success or failure of the BEOG program in achieving the aims that have been set for it. If you are going to take the parents income into consideration in determining the amount of the student Basic Opportunity Grant, then you would classify the student as a dependent of his(her) parents. On the other hand, if you are not going to take the parents income into consideration, then you would classify the student as independent of his parents.

BEOG regulations do not assume that all students are dependent, and hence, that the family of the student's parents is the relevant family. The legislation permits a classification of "independent" students, the effect of which may serve to further reduce the variation of actual grants across the range of all student family income.[28] Being classified as independent permits the student to receive more financial aid than (s)he would receive under the dependent classification.

The student is able to achieve a financial benefit by being classified as an independent student. By being classified as an independent student, (s)he will then be able to receive more Federal assistance than (s)he would as a dependent student. The importance of being classified as an independent student is obvious. The financial gain to the student can be large (at times greater than twice as large than (s)he would receive as a dependent student). An efficient and fair way of determining whether a student should be classified as "dependent" or "independent" of his(her) parents is needed. If the student is dependent on the family for economic help, then the parent's income should be and is taken into consideration. The conclusion is that college students cannot be held in dependent status in many cases and that some of the arguments for the Basic Education Opportunity Grant are questionable.[29]

A student who lives away from home can use his own income, not his parents, as the basis for seeking financial aid. In such a case the student is classified as an "independent". Although the family loses a Federal income-tax deduction in the process, the student may gain Federal assistance for which he would not otherwise qualify.[30]

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[28] Ibid., p. 7.

[29] Ibid., p. 1.

[30] "The View from the Long Lines: Are all those Forms Necessary," The Chronicle of Higher Education, October 3, 1977, p. 4.

The problem of the independent student has become perhaps the most serious concern facing Congress, financial aid officers, and the students themselves now that nearly half of all college students say they are financially independent.[31] Because of the potential for abuse, students whose families honestly can't or won't pay for their education are often faced with a barrage of cumbersome and sometimes humiliating procedures to verify that they are independent. The standard methods for assessing an independent student ability to contribute to the costs of a college education are often grossly unfair.

According to data from the Bureau of the Census and the National Center for Education Statistics, fewer than half of all college students in 1975 were in the traditional age bracket of 18 to 21 years old. About 11 percent were 35 or older.[32] Most educators agree the percentage of older students is still growing.[33] Hence needy independent students often have dependents of their own. Yet, if they own even modest assets, such as a house, rigid requirements often exclude them from the largest of the Federal assistance plans, the Basic Grants program. Independent students say they qualify for even less assistance from other Federal programs and from many college and university scholarship funds.[34]

Some students are, of course, necessarily independent, with no parent or other person contributing anything to their support. Others are, or could be, partially self-supporting and could become "independent" for purposes of the Basic Opportunity Grant's program. Converting to "independent student" status will be eased for students from affluent families by failure of the regulations to mention loans, some gifts or insurance. Presumably, a student could borrow from his parents or grandparents or co-sign a note from a bank with his parents, and have the loan cancelled or repaid by the parent after the student graduates. Gifts from relatives other than parents are not mentioned, and the careful timing of gifts could get one around the intention of the regulations. The regulations seem to ignore gifts like use of a car, or house, or textbooks owned by a parent. Trust funds are mentioned, but insurance policies are not.[35] Students from high-income families may qualify for maximum grants under the BEOG program if they can establish independent status. Perversely, the program will make it difficult for a student from a low-income family to go this route.[36] This narrows the gap between what the high-income student family receives and what the low-income student family receives. This situation negates the program's purpose of helping low-income students attend a post-secondary institution.

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[31] "The View from the Long Lines: Are all those forms necessary," p. 4.

[32] Ibid.

[33] Ibid.

[34] Ibid.

[35] Hansen, p. 9.

The difficulties of making a sensible distinction between dependent and independent students points to the possibility of a breakdown of the Basic Opportunity Grant (BOG) system of conditioning grants on parental income.[37] The definition of a family unit is troublesome in all redistributive schemes. In the income tax, a taxpayer does not have to claim anyone as a dependent or as a joint filer but he is allowed to do so if he finds it to his advantage, which he will in a wide variety of cases. Frequently, however, it is to his advantage to allow members, including minors, to file separately and thereby to split the total family income in the face of a schedule of progressive rates.[38]

The same problem of defining the family unit has a rich history in the law of public assistance. In every one of the categorical relief programs, the legislative and judicial record has been one of narrowing the family unit and of limiting the number of people whose resources are counted in calculating the grant. Thus, most states gradually came to ignore the resources of adult children in computing Old Age Assistance payments. Aid to FAmilies with Dependent Children (AFDC), once counted the income of the parent of the mother, but that has long since ceased to be the case. The "expected family contribution" of an absent father used to be counted, but courts have ruled it is unconstitutional to count anything other than the actual contribution received in calculating AFDC benefits.[39]

Although the BEOG program has been growing dramatically over the past five years, the program has not been able to meet the financial needs of all the students who qualify under the program for a grant. The Federal Basic Education Opportunity Grant program has contributed to accelerated recruiting efforts by institutions to enroll low-income students.[40] Students who couldn't afford to go to college before, can now afford to attend a post-secondary institution using a BEOG grant to cover part of the costs of attending that institution. With the current increased enrollment of low income students, there is not enough capital available for the large amount (1,975,000 recipients estimated to receive a BEOG grant during the 1977-78 fiscal year) of students who can use the BEOG program.[41]

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[36] Ibid.

[37] Ibid., p. 10.

[38] Ibid.

[39] Ibid., p. 11.

[40] Alexander G. Sidar, "Student Financial Aid: Is There a New Born Loser," College Board Review, September, 1974, p. 6.

Whether the BEOG program will further the purpose of inducing more enrollments by students from low-income families will depend in part, on how much tuitions rise.[42] According to a report by the Congressional Budget Office, charges at public colleges rose 67 percent from academic 1967-68 to academic 1975-76. At private colleges, they went up 73 percent. Yet Federal appropriations for student aid during that same period rose 252 percent per full-time equivalent student.[43]

At the present, with tuition rising at its current high rate, the BEOG program is more of a necessity than an incentive to attend college. The program is being used by more students as a means of keeping up with tuition costs. Enrollments should be further encouraged by raising the maximum grant above the present "half cost up to $1,400 rule". For the 1978-79 academic year nearly two million needy students can expect to receive grants ranging in size from $200 to $1,600.[44] Over half of those students, the Office of Education estimates, will be from minority groups. Many of them would never have attended college or, at best, would have struggled through on a part-time basis.[45] However, an increase in the maximum BEOG grant will run the risk of encouraging more students from affluent families to go the "independent student" route, a route which the courts are likely to open wider.[46] That, in turn, would frustrate the goal of having parents pay for college along ability to pay lines, and at the same time, produce a pattern of relatively flat grants for students from all family backgrounds. It would incidentally mean that the Basic Opportunity Grant program would cost more to fund than had been estimated.

Perhaps most relevant to our consideration of the Basic Education Opportunity Grant is a recent case in the tradition of welfare law, U. S. Department of Agriculture vs. Murry, 41 LW 5099, U. S. Sup. Ct., No. 72-848, June 25, 1973. The

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[41] Sidar, p. 6.

[42] Hansen, p. 11.

[43] "The View from the Long Lines: Are all those forms necessary?", p. 3.

[44] Ibid.

[45] Ibid.

[46] Hansen, p. 11.

U. S. Supreme Court ruled that it is unconstitutional to deny food stamp benefits to persons 18 or over who are or recently have been claimed as income tax dependents. The Court said that the legislative intent of helping people who were in need was inconsistent with the irrefutable presumption that they were not needy simply because someone else had claimed them as a dependent.

It would seem plausible that the BEOG's provision that denies a student's right to file as an independent student by an irrefutable presumption related to his being claimed as a tax dependent would be struck down on the reasoning used in the Murry case. If this were to happen, the calculation of grants for students who opted to file as independent would have to be re-designed to take account of "actual" parental contributions rather than "expected" ones.[47] This would require a fundamental re-orientation in both the philosophy and practice of such forms of student financial aid.

The fact that the BEOG grantee has an "entitlement" makes the BEOG program, if well funded, an engine for revolutionary social change in two ways: 1) Wherever possible, costs now borne by other resources will be shifted to BEOG, and 2) the advent of BEOG should so change the circumstances and psychology of students obtaining the grants that their decisions regarding the type of education they want and the institution they decide to attend might be changed.[48] With the BEOG program in existence, it is going to be used more as a major source of financial aid. This is one of the reasons why in the past few years the program has grown so rapidly. The BEOG program also makes it possible for students to participate in an education program of their choice, and not in a program which offers him(her) the financial support (s)he may need.

The BEOG program is growing at a rate, whose reprecussions should affect education for a long time to come. One possible long-term effect is a shift in student enrollment. It may well shift enrollments from more expensive to less expensive institutions because the amount of the BEOG would be less than the aid available under current programs and because the amount of the BEOG is not proportioned to institutional costs, as is the case in current programs.[49]

One of the most interesting implications of the BEOG program is its possible effect on tuition costs. In order to maximize revenue from the BEOG program, state legislatures will be strongly tempted to raise tuition in public institutions.[50] The reason for this is the apparent desire to have the post-secondary institution utilize the BEOG funds fully. By raising tuition, the post-secondary institution would obtain the maximum grant for each of its students. In such a case, the impact of the BEOG program is minimized. Most of the money obtained by the student from the BEOG program will be used to pay the increase cost of tuition, leaving the student with the same financial burdens he had before the program came into existence.

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[47] Ibid.

[48] Harry J. Hogan, "The BEOG Revolution," Change, Summer, 1973, p. 64.

[49] Hogan, p. 65.

Since low tuition institutions cater predominantly to low-income minority students, they will benefit least from the program.[51] The middle class student who is attending an institution where tuition is stable will be the group that should benefit the most from the BEOG program, even though they were not meant to be the primary recipients of the awards. One possible solution to this problem is not limiting the BEOG grant to one-half of college cost. By doing so, the low income student will not be forced to use his(her) BEOG to pay the increased cost of education. The increase cost of operating the BEOG program though may be a limiting factor, since this could make the cost of operating the program too high for Congress to accept it. A second problem of the BEOG program that should be dealt with is non-legitimate "independent" students. Students claiming "independent" status who don't qualify for it can severely damage the credibility of the program.

With rising tuition costs, it is becoming necessary to expand the program in order to help middle class students finance their post-secondary education. President Carter agrees with this view and has proposed to expand financial aid programs to help middle class families send their children through college. If the President's proposal is accepted, the Federal government will expand financial aid spending in all Federal programs to $5.9 billion. In any event the BEOG program is a major form of financial aid for students attending a post-secondary institution. With the BEOG program diverting more Federal funds into the hands of students, it will force the post-secondary institutions of New York State to cater more to the students needs and less to the wishes of the Federal government. Such a change has to be good for our education system.

THE BEOG PROGRAM EFFECTIVENESS AND PROGRESS

Basic Grant Program data and Higher Education Panel (HEP) survey results for the 1974-75 academic year indicate that the BEOG program is generally working in the direction of equality of access and choice with respect to the student characteristics of income, sex, and minority status. Although 1974-75 program data does not include information regarding applicant sex and race, the HEP Survey indicates that the percentage distribution by sex of BEOG recipients in all institutions is such that females are substantially more likely to receive a BEOG than males. Survey results show that Basic Grant recipients were 54.5 percent female and 45.5 percent male.[52] This closely agrees with 1973-74 program data in which 56.1 percent of qualified applicants were female and 43.9 percent were male.[53]

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[50] *Ibid.*

[51] *Ibid.*

The percentage distribution by sex of all BEOG recipients masks some underlying differences by type and control. While females definitely dominate the percentage distributions in the public sector at two-and four-year institutions, the proportions of male and female BEOG recipients at public universities are virtually identical.[54] In the private sector, on the other hand, males tend to dominate the sex distribution of BEOG recipients at two year institutions (52.1 percent) and at universities (55.2 percent), while 54.7 percent of BEOG recipients at private four-year colleges were female.[55] In all cases, however, females are represented among BEOG grant recipients in greater proportion than their representation in total enrollment in each type of institution either public or private.

In terms of minority versus non-minority status, the distribution of BEOG's is heavily in favor of minority students - the percentage of minority students receiving grants (48.1 percent) is far greater than their percentage in the total population and in their percentage of total post-secondary education enrollment.[56] When looking at the income distribution of BEOG recipients you find that 58.1 percent of qualified dependent applicants in 1974-75 came from families with incomes of $7,500 or less, and 77.5 percent had incomes of $10,000 or less. Of those classified as independent students, 96.3 percent had incomes of $7,500 or less.[57]

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[52] American Council on Education, Higher Education Panel Survey #27, "Student Assistance Programs," (Washington, D.C.: GPO, 1975), p. 1.

[53] Annual Evaluation Report on Programs Administered by the U. S. Office of Education, 1976, p. 214.

[54] Ibid.

[55] Ibid.

[56] Ibid., p. 215.

[57] Ibid.

The Basic Grant averaged across all first-time, full-time students varies inversely with income and has an important impact in offsetting the greater family contributions available to students from families of higher incomes.[58] The calculated loan-work burden for schools of a given cost would vary dramatically by income level so that lower income students would face substantially greater financial barriers to both access and choice. With Basic Grants those financial barriers are virtually the same for schools in the same institutional cost range up through a family income level of about $20,000.[59] This holds for all institutional cost levels.

In the latter context it should be noted that while the contribution of BEOG's to the equalization of the loan-work burden occurs at all cost levels, its contribution is greatest (in the relative sense) at the lower levels of institutional costs.[60] This is because at the low tuition institutions the BEOG pays a higher percentage of the student costs than at a high tuition institution. At the higher cost schools, BEOG's play a greater absolute role (i.e., awards are higher) in equalizing loan-work burdens by income level; however, they account for a lower percentage of total cost.[61] Rather at the higher institutional cost levels, state, local, and private scholarships are more important in equalizing financial barriers across family income levels.[62] This is of course in keeping with the greater emphasis in the Basic Grant Program on access and lesser emphasis on choice.

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[58] Ibid.

[59] Ibid.

[60] Ibid., p. 217.

[61] Ibid.

[62] Ibid.

CHAPTER 7

THE FEDERAL COLLEGE WORK-STUDY PROGRAM

Alphonse Mekalainas

BACKGROUND OF THE WORK-STUDY PROGRAM

The Federal College Work-Study Program was established under the Economic Opportunity Act of 1964. The Office of Education, Division of Student Financial Aid has administered the program since 1965. Mr. James W. Moore is Acting Director.[1] Under a legislative mandate to expand part-time employment opportunities for students, particularly those from low-income families, who are in need of part-time employment in order to pursue a course of study at an institution of higher education.[2] In essence, the College Work-Study (CWS) program is a Federal grant that is paid directly to the post-secondary institution, who then distributes it out to their CWS students. The amount of money the student receives depends on how many hours (s)he works during the academic year.

The College Work-Study program pays wages to students, from both low and middle income backgrounds, who work part-time on their campus or off-campus in public or non-profit organizations.[3] The College Work-Study program provides jobs for students who have great financial need and who must earn a part of their educational expenses. You may apply if you are enrolled at least half-time as a Graduate, Undergraduate, or Vocational student in an approved post-secondary educational institution.[4]

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[1] Office of Education, Bureau of Student Financial Assistance, Approval of Awards for Institutions Participating in the College Work-Study Program (Washington, D.C.: GPO, 1977), p. 1.

[2] Nathalie Friedman and others, The Federal College Work-Study Program: A Status Report, Fiscal Year 1971 (New York: Columbia University Bureau of Applied Social Research, 1973), p. 1.

[3] "The View from the Long Lines: Are all those forms necessary," The Chronicle of Higher Education, October 3, 1977, p. 3.

The College Work-Study program was enacted as part of President Lyndon B. Johnson's Economic Opportunity Act of 1964, guaranteeing more jobs for needy college students.[5] The Federal government spent $55,710,000 on the CWS program during the 1965-66 academic year. The program has grown greatly since then. The total amount of Federal funds being appropriated for the CWS program operations during the Award Period 1977-78 is $386,629,849.[6] This is a six fold increase in the program's appropriations since its inception. For the academic year 1977-78 New York State is allocated to receive $28,832,630. It will be distributed to 65,533 students throughout the state.[7] For purposes of allocating the total amount of Federal appropriations to the College Work-Study program, New York State is in Federal Region II, which is composed of New Jersey, New York, Puerto Rico and the Virgin Islands.

As stated previously, the College Work-Study program is administered by the Office of Education. The Office of Education is the administrative arm of the Department of Health, Education, and Welfare (HEW). The 1965 education act has been amended in 1972 and again in 1976. The 1972 and 1976 education acts respectively increased the total amount of funds authorized for the College Work-Study Program.

Federal grants are made directly to institutions of higher education. These grants provide 80 percent of the payroll expenses involved in the part-time and summer employment of the student, the remaining 20 percent is contributed by the post-secondary institution or college employing agency.[8] Four percent of the Federal grant goes for the administration of the program. Most of this is spent in the preparation of the student payroll.

In order not to put the entire burden of financing a Work-Study program on the Federal government, the Federal College

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[4] Office of Education, Springboard to Education After High School, Five Federal Aid Programs (Washington, D.C.: GPO, 1977), p. 7.

[5] "The View from the Long Lines: Are all those forms necessary," p. 6.

[6] Approval of Awards for Institutions Participating in the College Work-Study Program, p. 1.

[7] Approval of Awards for Institutions Participating in the College Work-Study Program, p. 104.

[8] Friedman, p. 2.

Work-Study Act stipulates that the institution must contribute some money to a work-study program of its own.[9] The post-secondary institution must match the Federal grant dollar for dollar with its own financial aid. The school's half of the package can include the 20 percent it contributes to the Federal College Work-Study program. In essence then, the post-secondary institution that participates in the Federal College Work-Study Program has a program of its own. The institution's own program is equal to 42 percent of the larger Federal College Work-Study Program.

The Federal College Work-Study Program is composed of an on-campus employment program and an off-campus employment program. The off-campus organization that participates in the program, doesn't pay for the administration of the program, but it does pay the cost of preparing the forms for the withholding of any student taxes.[10] Usually the student doesn't make over the minimal amount set by the Federal government, where the payment of taxes is necessary. In such a case the off-campus organization is not burdened with the cost of preparing the tax forms. In order to participate in the Federal College Work-Study Program as an off-campus employer the institution must be classified as a non-profitable charitable organization.

The pay scale for students who participate in the program ranges from $2.65/hour to $3.50/hour. The amount the student receives depends on two things. It first depends on the student grade level.[11] A sophmore will earn more than a freshman who will in turn earn less than a junior or senior. Second, the total amount awarded to the student is influenced by the student's grades. Low grades will force the shortening of the student's work hours and thereby lower his(her) total income for the year.

THE PURPOSE OF THE PROGRAM

The primary purpose of the College Work-Study program is to stimulate and promote the part-time employment of students. The program is designed for those students who have great financial need and who are in need of the earnings to pursue a course of study at an institution of post-secondary education.[12] College

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[9] Personal interview with Adriane Sachs, Director College Placement Office, Hofstra University, November 9, 1977.

[10] Sachs.

[11] Sachs.

[12] Office of Education, Bureau of Student Financial Assistance, Student Financial Aid/1977-78 Handbook (Washington, D.C.: GPO, 1977), p. 7-1.

Work-Study is oftentimes awarded to students with other forms of financial assistance. The Basic Education Opportunity Grant Program and the National Direct Student Loan Program are the other forms of financial assistance associated with the College Work-Study program. This enables students with the greatest need to meet their educational expenses without the necessity of incurring an unduly heavy burden of indebtedness. The program is also intended to broaden the range of worthwhile job opportunities for qualified students.[13]

College Work-Study program directives stipulate that part-time employment be made available for students who need the earnings in order to continue their studies beyond high school with particular emphasis placed on finding opportunities for low-income families.[14] The amount of hours the student can work varies from week to week. The student is allowed to work an average of 15 hours per week during the academic year and 40 hours per week in between semesters.

THE TYPICAL RECIPIENT OF THE AWARDS

College Work-Study students have a variety of backgrounds, but there are some similarities. One way College Work-Study students are similar is in the age they start attending a post-secondary institution. The American Council on Education (ACE) has done a survey to determine the typical age of all freshman who enter college. They concluded that the CWS student tends to start college a year later than the typical college freshman.[15] A major reason for this is the CWS student may take a year off from college in order to save some money for his education. This is a strong indication that the CWS student is from a low-income family bracket.

The demographic location of the student also confirms this. The CWS freshman is more likely to have grown up on a farm or in a small town, but less likely to have lived in a suburb.[16] According to this, a Long Island student is less likely to be participating in the CWS program than a student from some other part of the state.

Beside the age difference between the typical college freshman (ACE) and College Work-Study freshman (CWS) there are other differences. There are marked differences in the ethnic backgrounds of the two groups: eight percent of the ACE freshman but 31 percent of the CWS first-year student come from minority backgrounds.[17] This is evidence that the CWS program is at least partially serving its primary purpose of helping low-income students attend college. Parental background differences between ACE and CWS freshmen are also evident. Only 19 percent of the fathers or mothers of the CWS freshmen have had any college education, while the corresponding ACE figures are 44 percent for the fathers, 36 percent for the mothers.[18] This seems to be a reasonable pattern, because a minority student with parents that have no college education are more likely to have a greater financial need than a student with parents that do have a college background. As a result, a minority student is more likely to participate in the CWS program than a student from a different economic background.

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[13] Student Financial Aid/1977-78 Handbook, p. 7-1.

[14] Friedman, p. 71.

[15] Friedman, p. 72.

[16] Friedman, p. 72.

As already stated, the student that is participating in the CWS program can be expected to have parents in the lower income brackets. The families of CWS students are substantially lower in occupational and income rank: 23 percent of CWS freshmen compared to only six percent of the ACE freshmen, report that the household head is a laborer or unemployed.[19] With the head of the household being a laborer, one might expect that the family of the ACE freshman would be earning more than his CWS counterpart. A 1971 survey proved that this was the case. Almost two-thirds of the ACE (62 percent) freshmen report an annual family income over $10,000 while financial aid officers report that 12 percent of the CWS freshmen came from families with annual incomes of $10,000 or more.[20]

A point that is noteworthy is the major fields of study that the CWS student participates in. The CWS freshman is less likely than the ACE freshman to select business but more likely to select teaching as their occupational choice.[21] The decision to make teaching their occupational choice is usally made before the CWS student enters college. A post-secondary institution that has a large CWS program should then be expected to have a large teaching program. If the institution doesn't have a large teaching program, it could find that its student transfer rate to other schools would be higher than other institutions.

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[17] Friedman, p. 72.

[18] Friedman, p. 72.

[19] Friedman, p. 75.

[20] Friedman, p. 75.

[21] Friedman, p. 78.

Since the cost of going to school in the private sector is more than attending a school in the public sector, you would expect the student in the highest income bracket would be more likely to attend a private post-secondary institution.[22] This is because the student's family would have to be in the higher income bracket in order to supplement the additional cost of his(her) education. In general, the proportion of CWS students from the highest income level in the private sector is almost twice as great as that in the public institution. Notice too, that less than ten percent of the students attending the predominantly black schools come from families with annual incomes of $7,500 or more, while close to one-third of the CWS students enrolled at predominantly white schools come from families with annual incomes of $7,500 or more.[23] In those institutions where the cost of attending is more than $4,000 per year, almost one student in three comes from a family with an income of $9,000 or more; in institutions where tuition and fees are less than $400, only 12 percent of the CWS students are from a family with an income of $9,000 or more.[24]

As already indicated, the CWS program is vital to the ability of many students to attend college. It is not surprising that 56 percent of the lowest income group state that the availability of financial aid was the primary consideration in their choice of a college.[25] In fact, one out of three claim that he would not have been able to attend college without CWS employment.[26] Today, growth of the Basic Education Opportunity Grant program is of vital importance to many students, making it able to take a lot of the burden from the CWS program.

On the average, CWS earnings covered 45 percent of basic college costs for students attending a post-secondary institution in 1971.[27] Basic college costs is represented as earnings as a percentage of basic college costs, which include the tuition and fees levied by the college in addition to room and board charges or the equivalent commuter costs. According to a report by the Congressional Budget Office this year, charges at public colleges rose 67 percent from academic 1967-68 to academic 1975-76. At private colleges they went up 73 percent.[28]

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[22] "The View from the Long Lines: Are all those forms necessary,"p.3.

[23] Friedman, p. 82.

[24] Friedman, p. 85.

[25] Friedman, p. 92.

[26] Friedman, p. 93.

[27] Friedman, p. 93.

[28] "The View from the Long Lines: Are all those forms necessary," p. 3.

Today the Basic Education Opportunity Grant Program is covering a greater proportion of the cost of attending a post-secondary institution. In public institutions, two or three out of each four students is expected to earn enough to pay 40 percent or more of these basic costs.[29] At the private schools on the other hand, only one or two students out of each six will be able to defray the same proportion of these costs with his(her) CWS paycheck.[30] In predominantly black institutions, CWS funds are less likely to cover either the smallest or largest proportion of total costs. In the private and more costly institutions, CWS earnings cover a smaller proportion of basic costs; in low selectivity or open-admission type schools the contribution is almost 100 percent of the basic costs of attending that institution.[31]

EFFECT OF THE PROGRAM ON THE POST-SECONDARY INSTITUTION

The Federal government provides a cash grant directly to the post-secondary institution. This grant is to provide financing of the Federal College Work-Study program at the institutional level. The school spends an equal (or greater) amount of its own money in employing the student. A student that doesn't qualify for the Federal College Work-Study program can still qualify for student aid through the school's work-study program. The difference with this program is that it is completely financed by the post-secondary institution, with no Federal help.

The Federal government gives a five percent error margin for the grant it gives the post-secondary institution, for use in the Federal College Work-Study program. If the school has a surplus of greater than five percent at the end of the year, the Federal government investigates in order to see if anything is wrong with the administration of the program at the institutional level. A surplus may be the result of several things occuring. Bad administration of the program at the institution can be one major reason for having a surplus at the end of the year. Bad administration can be failure to fill all of its jobs or replacement of student personnel as students leave the program during the course of the year. Another reason could be that the institution was awarded more funds than it needed (a rare occurance), through no fault of the administrators of the program. If through the investigation it is determined that the school doesn't need all the funds it was allocated in a particular year, then the amount awarded for the coming year is lowered. The amount is lowered to equal the surplus of the previous year.

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[29] Friedman, p. 119.

[30] Friedman, p. 119.

[31] Friedman, p. 119.

When a surplus does occur, for whatever reason, the remaining surplus is put into a state pool. The money from this pool is distributed back to those schools in the state that spent in excess of the grant given to it. In the case that the state pool is insufficient (as frequently is the case) to cover the deficit encountered by the institution, the remainder of the deficit that is not covered by the state pool, has to be covered by the institution that acquired the deficit. No additional Federal funds are available to help these institutions.

Once funds have been allocated to an institution, the financial aid officer has the discretion to determine the distribution of funds to individual students.[32] The financial aid officer determines how much money each student gets in the form of CWS grants. During the academic year he can also limit the grant award to the student if he feels that the student's grades are being hurt by his(her) participation in the CWS program. College Work-Study program guide-lines maximize the freedom of participating institutions to devise local variants within the national program.

Emphasis and goals of administrators differ: student bodies are widely divergent: the pool of potential on or off-campus employers varies substantially across institutional, state, and regional lines.[33] Further, while Federal funds are reaching students in the form of wages for employment, relationships are being forged among the institution administrative staff as well as between the institution and its employing agencies. Similarly among the eligible students or employers, some have been selected in preference to others, and some institutions are finding it difficult to implement the program with the limited Federal funds provided them, while others encounter trouble utilizing their allocations.[34] Institutions, in other words, differ widely in their administration of the College Work-Study program.

The two-year colleges, whether public or private, had the highest proportion of CWS students from families with less than $3,000 according to the 1971 survey, but their costs are relatively low. In 1976, the highest proportion of CWS students come from families with less than $6,000.[35] As a consequence less than two-thirds of the two-year colleges participate in all three Federal aid programs (CWS, NDSL, BEOG). In the private sector, participation in the NDSL (National Direct Student Loan) program: in the public sector, the BEOG (Basic Education Opportunity Grant) program serves as the supplement for CWS.[36]

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[32] Friedman, p. 79.

[33] Friedman, p. 199.

[34] Friedman, p. 199

[35] Office of Education, Office of Planning, Budgeting, and Evaluation, Annual Evaluation Report of Programs Administered by the U. S. Office of Education, 1976 (Washington, D.C.: GPO 1977), p. 232.

Institutions which participate in all three programs are less likely to report that their CWS allocations have always been adequate. Since participation in all three programs signals the institutional need for student support, it is hardly surprising that allocations are inadequate in the institutions participating in all three programs.[37] Institutions that are severely lacking financial aid funds are more likely to seek out new financial aid programs than are institutions that are not having this problem.

Six out of ten of the responding institutions reported that their 1970-71 CWS allocations were not sufficient to provide employment for all eligible students.[38] This makes the additional financial contribution of the school's own program extremely important. This is also a major reason why the program has grown so fast in the past few years. Even with its present growth rate, there are still not enough funds to go around to all institutions who want it.

Differentiating by the type and control of the institution, it is clear that among universities, only one in five or six reports it has always been fully funded. At the four-year level, private colleges are less likely than public ones to report chronic underfunding.[39] There are several possible reasons for this. First, private colleges tend not to participate in offering college courses that have a large overhead, such as the sciences.[40] Second, private institutions seem more aggressive in their fund raising techniques whenever a chronic underfunding situation does occur.[41]

Among two-year institutions there is the least difference between the public and private sectors that have report never having received an insufficient allocation.[42] Sharp differences in adequacy of funding appear between predominantly white and predominantly black institutions. More than twice as many black colleges (proportionately) report four or five years of insufficient funds as do predominantly white schools (34 percent to 16 percent).[43] Black institutions receive less revenue (through tuition and donations to the school), and as a result are more likely to have insufficient funds than are predominantly white schools. This is further supported by looking at those schools that always report adequate funding. Only 20 percent of the black schools, but 27 percent of the white schools report that funding has always been adequate.[44] These differences accentuate the greater needs of the black institutions with their very large number of low income students. Finally, the small program schools appear to have been funded consistently at a fuller level than institutions maintaining large programs.[45]

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[36] Office of Education, 1977-78 BEOG Handbook (Washington, D.C.: GPO, 1976), p. 1-2.

[37] Friedman, p. 202.

[38] Friedman, p. 204.

[39] Friedman, p. 204.

[40] Office of Education, National Center for Education Statistics, Institutional Characteristics of Colleges and Universities, 1974-75 (Washington, D.C.: GPO, 1974), p. 173.

[41] Friedman, p. 204.

In general, institutions with the highest proportions of students from low-income families are those with costs which send student "needs" spiraling are the ones which report chronic underfunding. Of all the problems which institutions have today, inflation has to be on the top of the list. The institution with a history of insufficient funding is more likely to appeal the recommendations made by the regional panel in order to raise the amount allocated to its program. Inadequate funding in previous years probably makes the financial aid administrator take a more aggressive position in a later year.

It should be noted that the chronically under-funded institution, is more likely to receive an upward adjustment than an institution who is experiencing having inadequate CWS funds for the first time.[46] The financial aid officer who has been receiving inadequate allocations over a period of years is likely to have developed skills in the bargaining area and can present a better documented case than his counterpart who is appealing for the first time. The supplemental allocations received by a chronically under-funded institution do not eliminate the problems they have in meeting their commitments. Only one out of four (27 percent) of the chronically under-funded institutions was able to offer CWS employment to at least 70 percent of those who were eligible.[47]

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[42] Friedman, p. 204.

[43] Friedman, p. 205.

[44] Friedman, p. 205.

[45] Friedman, p. 205.

[46] Friedman, p. 209.

[47] Friedman, p. 209.

The CWS manual stipulates that CWS employment must not replace jobs held by regular employees of the institution. Administrators were asked, however, whether they were ever forced to use Work-Study students "in jobs which would normally be filled by regular employees?" Only six percent report that this is "frequently" the case; however, it is significant that more than half (55 percent) report that they "never" use students in that capacity. This means that 45 percent of all institutions that participate in the CWS program use CWS students to replace regular employees, a direct contradiction to the CWS manual which prohibits this. Funding history is related to these responses: 58 percent of the institutions with a history of adequate funding report that they "never" use students in the place of regular employees, but less than half (47 percent) of those institutions experiencing four or five years of inadequate funding report never using students to take the place of regular employees.[48] With greater demand of funds, comes a greater probability that the post-secondary institution will use Work-Study students to take the place of regular employees.

An area receiving more emphasis is off-campus employment. Program officials at the national level have consistently, in directives, memoranda, and speeches, urged the expansion of institutional off-campus CWS employment opportunities.[49] About one-third of all institutional respondents report that they had no off-campus CWS program. The two most frequent reasons for limiting off-campus employment are "sufficient employment opportunities on campus" and "to little staff to administer the program."[50] Approximately four out of ten financial aid officers checked both these reasons.

Administrators who claim that inadequate staff or sufficient on-campus opportunities limit an off-campus program are more likely to see CWS as a means of maintaining normal operations.[51] These aid officers also more frequently admit that they use CWS students in positions which would normally be held by regular employees.[52] Among those who cite "too little staff" as a limiting factor, 63.4 percent see CWS as a means of maintaining normal operations and 48.5 percent frequently or occasionally use CWS students to do work which would normally be done by regular employees. The corresponding percentages are lower (60.4 percent and 43.1 percent) for those who cite "too little staff" as a limiting factor.[53] While the differences are small, they are consistent, and they suggest that those who are using the program to curtail expenses are not likely to make energetic efforts to set up or expand off-campus operations.

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[48] Friedman, p. 214.

[49] Friedman, p. 215.

[50] Friedman, p. 217.

[51] Friedman, p. 217

[52] Friedman, p. 217.

It is possible that schools with no off-campus employment programs may be handicapped by insufficient staff or by their geographic location. However, the data suggest that such institutions may also be less willing to initiate off-campus programs because they are opposed to them in principle, or because they have reservations about their ability to cope with problems which might arise.[54] Maintaining an off-campus program, engaging in extensive efforts to administer this program, and minimizing limiting factors, go hand in hand with chronic underfunding, high frequency of appeals at the Federal level, and substantially less than requested allocations. Similarly, fewer of the institutions which maintain and vigorously administer an off-campus program are able to offer CWS employment to at least 70 percent of those eligible.[55] On the other hand, these active institutions - although underfunded - are no more likely to see CWS as a means of maintaining normal operations. Nor do they more frequently utilize CWS students in place of regular employees.[56]

PROGRAM EFFECTIVENESS AND PROGRESS

The CWS program appears to be effective in stimulating the employment of needy students. However, any definitive finding must await data showing how many students would not have found employment in the CWS program. The program is unquestionably popular with post-secondary institutions both as a student aid program and as a means of providing a pool of highly subsidized labor.[57] This pool is also welcomed by other participating non-profit institutions.

With respect to the Federal goals of equality of access and choice the program appears to be somewhat successful in promoting these ends. A survey in April 1975 indicates that well over half (54.0 percent) of CWS program participants at all eligible institutions were female, 32.6 percent were from ethnic minorities, and 38.5 percent were dependent undergraduates with family incomes less than $7,500.[58] Since the program is designed to benefit students in great financial need it is somewhat surprising that its impact on minority and low-income students is substantially less than that of the Basic Grant and Supplemental Grant programs. Over 17 percent of CWS recipients are dependent undergraduates with family incomes in excess of $11,999, while the comparable percentages for Basic Education Opportunity Grant program and Supplemental Education Opportunity Grant program are 7.3 and 5.3 respectively.[59] In terms of minority status, 67.5 percent of CWS participants are from non-minority groups compared to about 52 percent for Basic Education Opportunity Grant program and Supplemental Education Opportunity Grant program.[60] Thus, CWS program is clearly more middle class and non-minority in its practical orientation than are the two grant programs.

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[53] Friedman, p. 217.

[54] Friedman, p. 219.

[55] Friedman, p. 220.

[56] Friedman, p. 223.

[57] Annual Evaluation Report of Programs Administered by the U. S. Office of Education, 1976, p. 230.

More recent data from the Higher Education Research Institute's Studies on Impact of Student Financial Aid Programs indicates that the percentage and amount of college expenses financed by all student work and by College Work-Study jobs for the first-time and full-time freshmen in the fall 1975 range from 12 to almost 20 percent of total student expenses for students from families with incomes of $20,000 or less.[61] Work-Study accounted for from one-fourth to one-half of all earnings with low income groups receiving more Work-Study funds both in real and relative terms.[62] Students in the middle income range finance a greater proportion of their expenses with job earnings than do students at either the lower end or higher end of the income scale.[63]

The Federal College Work-Study program is clearly a key means of attaining financial aid in order for the student to attend a post-secondary institution. The program importance as a means of financial aid has been declining with the recent growth of the BEOG program. The importance of the program in the future will depend, possibly in large measure on how fast the BEOG program grows. The faster the BEOG program grows, the faster the CWS program may diminish.

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[58] American Council on Education, Higher Education Panel Survey #27, "Student Assistance Programs," (Washington, D.C.: GPO, 1975), p. 1.

[59] Annual Evaluation Report of Programs Administered by the U. S. Office of Education, 1976, p. 230.

[60] Annual Evaluation Report of Programs Administered by the U. S. Office of Education, 1976, p. 230.

[61] Annual Evaluation Report of Programs Administered by the U. S. Office of Education, 1976, p. 231.

[62] Annual Evaluation Report of Programs Administered by the U. S. Office of Education, 1976, p. 231.

[63] Annual Evaluation Report of Programs Administered by the U. S. Office of Education, 1976, p. 231.

The CWS program does have several drawbacks. Students may be forced, because not enough Federal funds are available, to seek extra employment to meet the cost of their education. If students do work, their aid package will be reduced by the amount of their earnings if they are "caught" by the financial aid office. These regulations may create a situation where students are forced or opt to live in poverty.[64] There is a tendency for students to work "off the books" and cover up their job to the financial aid officer.[65]

The use of students to fill the position of full-time employees creates its own set of troubles. Generally, the student feels he is getting nothing out of the job besides his pay. Many Colleges use Work-Study as a form of "serfdom", and take advantage of the inexpensive assistance provided by work-study students.[66] The use of CWS students filling the position of full-time employees also jeopardizes employer-employee relations. If an employee feels threatened with the loss of his or her job, morale and feelings toward his employer will diminish. If the student is uninterested with his job, a worsening in his (her) grades, yielding no benefit to the student or college may result.

CONCLUSION

Wherever possible, students should be put only in those jobs, in which (s)he gets more out of it than just pay. The CWS student should feel that their job is rewarding. The student is able to achieve this feeling by working in the various departments the college or university has and not by working at a meaningless job in the kitchen. You also have the added benefit of having better employer-employee relations, since the employees don't feel threatened by their jobs being taken away by students.

The off-campus employment program can be a very rewarding experience for the student, but it, too, is not without its problems. Many students don't participate in the program because of the distance (s)he has to travel from campus to work.[67] The student may not have a car or the distance that is needed to be traveled daily is prohibitive to the student achieving a rewarding experience. The setting up of a bus system from the campus to the off-campus employer can help solve this problem. The major problem here is finding a way to pay for the transportation system.

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[64] "What 250 STudents Say About Financial Aid Problems," College Board Review, Summer 1976, p. 19.

[65] "What 250 Students Say About Financial Aid Problems," p. 19.

[66] "What 250 Students Say About Financial Aid Problems," p. 19.

Being the last form of financial aid received by the student, it is important that the student know how much he can earn through the CWS program. Since the College Work-Study grant is calculated last, it is important that the student's loan not be too high, because the greater the amount the student borrows under the National STudent Loan program, the less is the amount he can earn under the CWS program. The student and his(her) family should plan the financing of the students education through college before (s)he gets out of high school. A visit to the college financial aid officer can be very rewarding in the knowledge he will acquire in the programs that institution offers.

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[67] Sachs.

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CHAPTER 8

STUDENT ASSISTANCE: TEACHER CORPS; UPWARD BOUND; TAP; FELLOWSHIPS

Donald Ferranti

TEACHER CORPS

SOCIAL IMPETUS FOR CREATION

The Teacher Corps was created in 1965 to meet the educational needs of low-income, disadvantaged children. The fact that children were soon likely to be enrolled in schools with poorly trained teachers was common knowledge. When such a group was brought to the office of Senator Gaylord Nelson (Democrat, Wisconsin) from Cardozo Junior High School in Washington, D.C., the idea for Teacher Corps was born. The children's teacher was a former Peace Corps member who was now devoting herself to the plight of the students. The shortage of teachers in the mid 1960's combined with a general reluctance to serve in schools in poverty areas had caused severe degeneration in the quality of education for these students.[1]

The need for highly trained teachers in depressed areas was equal opportunity for all citizens. Since the Peace Corps had shown the willingness of America's youth to dedicate themselves to satisfying genuine needs in a foreign country, Senator Nelson proposed the establishment of a Teacher Corps to meet this critical domestic need. His proposal, combined with a similar proposal made by Senator Edward Kennedy (D. Mass.), was given a final thrust when President Lyndon B. Johnson proposed a National Teacher Corps before the National Education Association's Convention in July, 1965. The Corps came into existence as part of the Higher Education Act of 1965.[2]

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[1] Gaylord Nelson, "The Birth of a Federal Program," Journal of Teacher Education (1975), p. 98.

[2] Ibid.

CHANGING ENVIRONMENT AND NEEDS

In the years since its creation, Teacher Corps has faced changing social needs and educational environment. The original emphasis of the Corps was the stimulation of interest in teaching as a profession for those who would not otherwise have chosen that career path. The emerging oversupply of teachers during the 1970's led many teachers to seek employment in poverty areas though they were not trained to handle the special problems of disadvantaged children. The Teacher Corps had to develop an effective system for training and re-training such teachers.[3]

The Teacher Corps had continually to evaluate its ability to adapt itself to external forces. It underwent these major phases of development: 1) The early phase was based upon the original assumption that dedicated youth could bring vitality to any endeavor; 2) Following came a period which attested to the fact that although enthusiasm and vitality were important and life sustaining attributes, they were no substitute for development of teaching skills and careful program planning; 3) The current phase of Teacher Corps recognizes the two prior as being sound steps in the development of a structure capable of responding to changing needs and additionally, seeks inputs from the local community in order to energize its responsive inner structure.[4]

LEGISLATIVE EVOLUTION OF TEACHER CORPS

The overarching purpose of the Teacher Corps, as outlined in its creating legislation, is to strengthen the educational opportunities available to children in areas having concentrations of low-income families and to encourage colleges and universities to broaden their programs of teacher preparation. In 1967 a bill introduced by Rep. Edith Green (D., Oregon), placed Teacher Corps under the Education Professions Development Act. An amendment passed in 1969 gave Teacher Corps the authority to recruit and train educational personnel, aid juvenile delinquents, youth offenders, and adult criminals. The authority of Teacher Corps to attract volunteers to serve on a part or full-time basis in programs carried out by local educational agencies or institutions of higher education was granted by a 1970 amendment. Greater autonomy was afforded to the Teacher Corps by a 1972 amendment causing it to become directly responsible to the Commissioner of Education. The 1974 amendments gave the Teacher

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[3] Albert H. Quie, Journal of Teacher Education (1975), p. 99.

[4] Turrell Bell, "The Progress of Teacher Corps," Journal of Teacher Education (1975), p. 99.

Corps authority to improve programs of training and re-training teachers and teacher's aides by supporting demonstration projects in local educational agencies.[5]

TEACHER CORPS PART IN FUNDING NEW YORK STATE HIGHER EDUCATION

New York State was the recipient of the largest Teacher Corps funding in Fiscal 1977, receiving $3,414,594. This amounted to nine percent of the Corps' total funding of $37,463,205. Fund distribution was as follows:

1. New Grants	$1,825,502
2. Continued Grants	1,037,647
3. Network funding	201,040
4. Contracts	350,345
	$3,414,594

SOURCE: Teacher Corps FY 1977 Obligations, prepared by Department of Health Education and Welfare, Office of Education (Washington, 1977).

It is difficult to estimate how much of this funding finds its way into New York State higher educational institutions. The main purpose of Teacher Corps is the training and re-training of teachers. Section 513 of the authorizing legislation states that the Commissioner is authorized to enter into contracts or other arrangements with institutions of higher education or local educational agencies under which they will recruit, select, and enroll in the Teacher Corps, for periods of one to five years, experienced teachers, teacher aides, and other educational personnel, persons who have a bachelor's degree or its equivalent, and persons who have successfully completed two years of a program for which credit is given toward a baccalaureate degree and, for such periods as the Commission may prescribe by regulation, persons who volunteer to serve as part time tutors or full-time instructional assistants.

This act further authorizes in part 9(b) that arrangements with institutions of higher education to provide training for Teacher Corps members while serving in schools for local educational agencies...shall provide, wherever possible, for training leading to an appropriate degree.[6]

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[5] Ten Years of Teacher Corps 1966-1976 From the Field, ed. Barbara Wegher (Los Angeles, 1976), p. 3-4.

CONCLUSION

Public Policy regarding Teacher Corps has changed over the years in response to a changing educational environment. The basic goal of the Crops, to meet the educational needs of the disadvantaged, has remained at the heart of the legislative changes. When the greatest need was to encourage bright young persons to choose teaching as a career, the Corps had the legislative authority to develop programs in that area. As teacher supplies increased, the emphasis switched to better quality in teaching and new legislation allowed Teacher Corps to expand its function to re-training educational professionals.

As a major federal program responsible for the development of educational personnel, the Corps has made major strides in integrating educational innovation with teacher training.[7] New York State institutions of higher education are deeply involved with Teacher Corps. Corps programs, funded at $3,414,594 in fiscal 1977 operate throughout the state in the areas of instruction, community based education, multicultural education, and field based education. The Teacher Corps has established 12 national networks. These provide a forum for sharing information and resources by conducting national and regional conferences.[8] Dissemination of Corps information is accomplished through the New York State Teacher Corps Network.

The fact that public policy and funding continue to allow the Corps to grow and operate attests to the fact that Teacher Corps is an important force in improving educational opportunity for the disadvantaged.

UPWARD BOUND

PURPOSE OF THE UPWARD BOUND PROGRAM

Upward Bound was developed to aid low income secondary school students who have the potential for completing their post-secondary education. U. B. seeks to insure that sufficient motivation exists in these high school students to meet college entrance criteria and to gain admission to a college, university or technical school. Through guidance, counselling, and remedial instruction, the students are prepared to meet the higher educational challenge. They are encouraged not only to enter college but to maintain the necessary enthusiasm to complete their education.

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[6] *Teacher Corps Legislation (Including Amendments through 1970)*, Department of Health Education and Welfare, Office of Education (Washington, 1977).

[7] *Ten Years*, *op. cit.*, p. 4.

[8] *Ibid.*, p. 2.

LEGISLATIVE BACKGROUND

Upward Bound was created under the authority of the Economic Opportunity Act of 1964 as amended (42USC. 2809). The Office of Economic Opportunity funded 17 U. B. projects in pilot programs during the summer of 1965. In 1966, U. B. was authorized as a national program under Title II-A of the Economic Opportunity Act. On July 1, 1969 responsibility for the program was transferred to the U. S. Office of Education, DHEW. Current authorization is under section 408 of the Higher Education Act of 1965 as amended (20USC 1068).

METHOD OF OPERATION

During the summer, U. B. students usually reside in a college campus for an intensive six to eight week session. They take courses, receive counselling and attend cultural and social events. During the regular academic year activities are limited to periodic tutorial/counselling sessions, occasional cultural enrichment activities and possibly Saturday classes. While in their Junior and Senior years, U. B. students are aided in determining their options in post-secondary education and the programs that are best for their individual goals.[9]

There are slight variations in programs depending upon the educational level of the student. Typically, a student is admitted after he or she completes the tenth grade. He attends the six to eight week summer program. There is a follow-up program during the academic year and the cycle repeats after the eleventh grade is completed. The summer after the student graduates from high school is called the "Bridge Summer." During this period the student continues to receive counselling while taking college courses for credit.[10]

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[9] Evaluation of the Upward Bound Program, Executive Summary, prepared by the Office of Education (DHEW), Washington, 1976),p.l.

[10] Willis L. Johnson, Directory of Special Programs for Minority Group Members, Career Information Service, Employment Skills Bank, Financial Aid Sources, 2nd Ed. (Washington, 1975), Appendix A.

PROJECT STATISTICS

In F '74 there were 416 Upward Bound projects serving 51,755 students at a cost of $38,300,000. Of these 416 projects, 67 were special veterans projects serving 12,200 veterans and there were nine demonstration projects serving 980 students. During this year 71 percent of the U. B. students entered a post-secondary educational institution versus 47 percent of similar students who did not participate in U. B. Of those from both groups who pursued their education, U. B. participants had a greater proportion attending four year colleges - 76 percent vs. 45 percent.

The U. B. students were more aware than the comparison students of types of financial aid available and had a higher grant application rate than non-U. B. students.

Types of Aid Requested	U. B.	Not U. B.
Grants	68%	55%
Loans	22%	38%
Work-Study	10%	7%

The Upward Bound program has had a definite impact on these students' desire to pursue their education. It has also counselled them on the methods they must employ to finance their education.[11]

FINANCING OF HIGHER EDUCATION IN NEW YORK STATE GENERATED BY THE U. B. PROGRAM

The direct benefit of the U. B. program in financing higher education in New York State through students is difficult to determine. There are 18 N.Y.S. schools operating U. B. programs. They are Columbia, CUNY (Adelanti), CUNY (Queens), Dowling, Fordham, Hofstra, Leymoyne, LIU, Marist, National Scholarship Service for Negro Students, R.I.T., St. Lawrence, SUNY at Buffalo - Binghampton-Plattsburg-Stony Brook, Union, Utica.[12] Funding of U. B. projects in F '76 was $38,327,532. New York State received $2,963,745 of this total.[13]

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[11] Evaluation, op. cit., pp. 4-5.

[12] Johnson, op. cit., p. 389.

The real benefit to higher educational financing is that the U. B. students are more likely to attend college. This increases the tuition paying base. The statistics show that 31 percent more U. B. students enroll in four year colleges than do their non U. B. counterparts.

TAP NEW YORK STATE TUITION ASSISTANCE PROGRAM

HISTORY OF TUITION ASSISTANCE IN NEW YORK STATE

New York State has fostered the ideal of tuition assistance for many years. Tuition free undergraduate education for New York City residents was started in 1848.

> No public policy of financing higher education has been as successful in providing widespread accessibility to college as has City University's system of tuition free and open admissions. In 1975, the college going rate in New York City was close to 80% among high school graduates, the highest in the nation.[14]

Statewide tuition assistance began in 1894 when 150 Regent's Scholarships were awarded to New York State residents. By 1958, tuition assistance in the amount of $8,500,000 was provided to 6,000 students.[15] This had grown to $208,000,000 of assistance for 424,000 students as provided for in the 1976-77 New York State Budget.[16]

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[13] Rita C. Bobowski, *Special Programs for Disadvantaged Students*, prepared by the Office of Education (DHEW), (Washington, 1976), Federal Funds Section.

[14] Regents Advisory Commission on the Financial Problems of Post-secondary Institutions, *Report of the Regents Advisory Commission on the Financial Problems of Post-secondary Institutions* (New York, 1975), p. 61.

[15] State University of New York, *Scholarship, Fellowship and Loan Funds - State University of New York 1958*, (New York, 1958), p. 85.

[16] *New York State Executive Budget, April 1, 1977 to March 31, 1978*, prepared by New York State Department of the Budget (Albany, 1977), p. 254.

This record of growing support for higher education in New York State, complies with the emerging governmental philosophy of providing aid to students rather than providing institutional aid. In 1971-72, approximately 80 percent of public funding of higher education was in the form of institutional support. The Carnegie Commission anticipated a shift in the trend in the last quarter of this century. More support would be provided to individual students, thereby, allowing free student choice of institutions based upon their ability to meet the student's academic needs, rather than upon purely financial considerations. The optimum educational support situation has been perceived by the Carnegie Commission on Higher Education as, "helping individuals add to their education and skill development periodically throughout their lives as they perceive new needs and wish to expand their horizons."[17] Although the TAP program does not provide for the total realization of this objective, it does take an important first step in allowing freedom of choice during the post-secondary educational period.

DEVELOPMENT OF THE TAP PROGRAM

The TAP Program was engineered by the Select Committee on Higher Education and was enacted as Chapter 942 of the Laws of 1974. The Select Committee took the approach that reports on financial aid in higher education were too abundant and the time had come for a specific legislative proposal to alleviate the burden of cost to N. Y. students in higher education. The Select Committee, therefore, set about gaining the insights of the three groups most intimately involved in higher education: college presidents, financial aid officers, and students.[18]

Nine regional conferences were held throughout the state in order to solicit pertinent opinions. Issues of the greatest importance to concerned individuals were:

1. Budgetary limits to a proposed program.
2. Maximum amounts of awards.
3. The continuation of elimination of merit awards (Regents College Scholarships).
4. Meeting the needs of middle income students.

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[17] Carnegie Commission on Higher Education, Toward a Learning Society (New York, 1973), pp. 49-50.

[18] Select Committee on Higher Education, Report of the Select Committee on Higher Education, State of New York Legislative Document (1974) No. 16 (New York, 1974), p. 6.

Less Significant issues appeared to be those concerning:

1. Emancipated undergraduate students.
2. Aid for part-time students.
3. Aid to students enrolled in proprietary schools.[19]

Two major problems became evident as a result of the conferences. The middle income student must be provided for in revised aid programs and independent institutions must be kept viable if the policy of free and equal access to higher education was to be promoted in policy as well as principle. The committee made these two issues its highest priority.

The committee looked at existing state programs as possible sources for funding of their proposed program. The Regents' Scholarship Program was deemed obsolete. It had begun in 1894 when reward for academic achievement was the only incentive for many students to pursue a college education. Today, a college education is a necessity for many careers. The Regents' Scholarship had become a means of financial support rather than a scholastic incentive. Likewise, the Scholar Incentive Program, which was created in 1961-62 had become obsolete. Although the principle of providing funds on a need basis was in conformity with the committee's charge, the amounts of these awards were so small that little real aid could be derived from them in meeting the rising costs of college education.

A study of Scholar Incentive recipients conducted by the State Education Department under the Commission of the Ford Foundation supported the committee's contentions regarding obsolete programs, that they no longer met the needs of the population. The detailed demographic information of the college-going body became the basis for the formulation of the proposed TAP legislation.[20] The findings of this study influenced the proposed TAP legislation in significant ways. Since the study showed that family income and assets were similar for SUNY as well as independent college scholar incentive recipients; since tuition charges vary greatly among private institutions; and since amounts to be financed by students and parents varied greatly, it seemed reasonable to propose that awards could differ in relationship to the amounts of tuition charged. The leveling off of grant support and the increasing enrollment of Scholar Incentive recipients attending SUNY emphasized the deteriorating position of independent colleges. It found the policy of dividing the family income by the number of family members enrolled in college to be unfair in determining award amounts since it benefitted those most able to afford tuition charges to the greatest extent.

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[19] Ibid.

[20] Ibid.

The study gave further guidelines for the new legislation. Since parental support was found to correlate with income up to the $20,000 net taxable income point, it was decided to propose grants up to that point. Further, the fact that students earn more as they progress through college led to the proposal that the award for the final two years of college be somewhat less than the first two. The committee decided on a $200 reduction since that was the average increase in earnings. A final consideration was that the revised state program should take into account federal grant programs and should not duplicate benefits.[21]

PROVISIONS OF THE TAP BILL OF 1974

The major provisions of the Tuition Assistance Program (S.10844, A. 12484), which was passed by both Houses of the New York State Legislature on May 13, 1974 and was signed into law on June 14, 1974 were:[22]

1. TAP awards would apply to students who had not graduated from high school prior to January 1, 1974 and who had not begun college prior to July 1, 1974. The TAP awards would be phased in on a year by year basis.

2. Maximum awards would be the lesser of tuition or $1,500. In the final two years, the maximum award would be reduced by $200.

3. The awards are based upon New York State net taxable income according to a sliding schedule. (See Appendix A)

4. The New York State Regents' Scholarship and Nursing Scholarship were reduced to a flat $250.

5. If more than one family member is in attendance at college, the award reduction is calculated after reducing New York State Net Taxable Income by $3,000 for the first additional member and $2,000 for each additional member.

6. Freshmen in 1974 were saved harmless from the new provisions.

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[21] *Ibid*.

[22] *Ibid*.

7. TAP awards, including Regents' and Nursing Scholarships could not exceed tuition charges.

8. No TAP award was to be given if tuition charges were $200 or less.

9. The $200 deductible is eliminated for veterans.

10. Until TAP was phased in completely in 1977-78 upper classmen were to receive awards on the following schedule:

New York State Net Taxable Income	Range of Maximum Award
$2,000 or less	$600
2,001-5,000	599-400
5,001-8,000	399-200
8,001-9,500	199-100
9,501-20,000	100
20,000 or more	0

11. Current programs were continued for graduate and professional students.

12. Emancipation requirements for undergraduate and graduate students were made to conform with federal standards.

The costs of the TAP program were expected to be $30.8 million over actual 1973-74 costs; they were $35.2 million over. Extra costs were anticipated to grow to $61 million by 1977-78 when full implementation was to have been completed. They were $123 million over, due mostly to tuition charges at CUNY.

DEVELOPMENTS IN TAP DURING THE IMPLEMENTATION PERIOD 1974-1978

Chapter 844 of the laws of 1975 made the first change in TAP. The program was extended to high school graduates prior to 1974 and to veterans. The award scale for graduate students was changed from a fixed to a sliding scale. The 1976-77 Supplemental Budget of New York State added language which refined the definition of "emancipated student," thereby qualifying more students for higher awards based upon their own income and not their family's. It also allowed for comparison of income information on New York State tax returns and TAP applications.

The most dramatic development in the TAP program was the tremendous increase in cost resulting from the initiation of tuition charges at CUNY in 1976-77. Prior to that time, no CUNY student received a TAP award since it was limited to tuition. This decision by CUNY's Board of Trustees led to a \$51.8 million increase in 1976-77 TAP costs. Further cost increases, \$11.8 million over estimates, were due to more students applying than anticipated, higher tuition charges by CUNY than anticipated, and a lower than predicted average income of applicants and their families. The total 1976-77 TAP cost was \$196 million.[23]

TAP BUDGET 1977-78

The 1977-78 New York STate budget proposal for TAP was \$177.7 million. This figure would have been \$218.4 million were it not for certain budget reforms enacted for 1977-78. These reforms included:

1. Reinstatement of the original (January 1, 1974) graduation date for eligibility for a TAP award on the \$1,500 scale. The 1975 change to the original TAP level proved to be costly. The \$1,500 scale for veterans was retained.

2. Establish a new award scale for emancipated students. Since a single emancipated student can devote a greater proportion of his disposable income to his educational expenses a new scale was established. This scale provided the maximum award to those with incomes under \$1,000 but allowed no award for incomes over \$5,666.

3. Limit TAP awards for associate's and master's degree candidates to four semester payments. The prior limit of eight semesters was unfair, since these are normally two year programs. By extending a two year program to four years, those students receive payments for which students progressing at a "normal" rate cannot qualify.

4. Reduction of lower division TAP awards by \$100 if tuition is lower than the student's TAP entitlement. Since students were already receiving the advantage of low tuition, it was felt that they should be required to pay at least \$100 per year. This was

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[23] New York State Budget, p. 258.

thought not to be a burden due to the availability of federal and private grants and student loans.

5. Add to net taxable income for TAP purposes all income received from BEOG, Social Security, and Veteran Education Benefits. Since this income is discretionary income during the years of college attendance, it should be considered in determination of the TAP award.[24]

The average TAP award after 1976 legislative changes and the incorporation of CUNY students is shown in Appendix B.

CONCLUSION

The Tuition Assistance Program has made an important step in meeting its goal:

> to improve higher education opportunities for residents through a new program of student financial aide to insure the viability of a competitive, diverse, and high quality higher education system in New York State...[25]

The fact that the program has survived the recent fiscal crisis in New York and has been able to absorb the added burden of tuition charges at CUNY speaks well of its sound foundation in current educational policy. Although some modifications have been necessary, the thorough and intensive development procedures adhered to by the Select Committee on Higher Education have created a program which reflects the concensus of opinion of the most knowledgeable groups in New York State regarding higher education: college presidents, financial aid officers and students. This commitment to and preservation of the goals of these interested groups should give the program the support it needs to remain a viable force in educational policy. A public policy truly developed in the public interest by the efforts of the interested public is destined for a long and fruitful existence.

FELLOWSHIPS AND TRAINEESHIPS

THE DEFINITION OF FELLOWSHIPS AND TRAINEESHIPS

Fellowships are usually defined as awards made at the

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[24] Ibid., p. 258-259.

[25] Report of Select Committee, op. cit., p. 101.

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graduate, postdoctoral or professional level, which are granted to those applicants demonstrating a quality of excellence in scholarship, leadership and professional promise.[26] The *Dictionary of Education* defines a fellowship as:

> a grant of money and/or professional position awarded on the basis of good character, leadership, professional promise, and sometimes financial need, as an aid to an individual toward further educational endeavor.[27]

These awards are offered to support free inquiry, on the part of the student, in his field of interest and to provide for his education and living expenses as a full time student.[28] The emphasis of a fellowship award is on excellence in a learning endeavor. They are available only to those who have already received recognition of their abilities in their chosen field and who wish to pursue further educational goals.

Traineeships are awards which support a special kind of teaching or institution in which goals are clearly determined, are usually readily demonstrable and call for a degree of mastery which requires student practice and instructional guidance and appraisal of the student's improved performance capabilities.[29] The major difference between fellowships and traineeships is that a fellow is provided the opportunity to expand his horizon of knowledge while a trainee is taught to become proficient in a well defined dicipline or skill.

HISTORY OF FELLOWSHIP AND TRAINEESHIP PROGRAM

Prior to World War II, financial support to students through fellowships and traineeships in support of higher education in New York State, was limited. The only major training support afforded was the establishment of the U. S. Military Academy in 1802.[30] The modern era of financial aid to students began with the passage of the Serviceman's Readjustment Act of 1944 (the GI Bill of Rights). This bill allowed returning veterans to pursue many kinds of educational and training programs at government expense. The fact that access to these programs was universal set the standard against which equal opportunity programs are judged today.[31]

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[26] *The College Blue Book 16th Edition, Scholarships, Fellowships Grants, and Loans* (New York: 1977), p. IX.

[27] Carter V. Good, *Dictionary of Education*, (New York: 1962).

[28] American Association of College Registrars, *Handbook of Data and Definitions in Higher Education* (New York: 1962).

[29] Good, *op. cit*.

[30] *Perspectives on Financial Aid*, prepared by College Entrance Examination Board (New York, 1973), p. 85.

In 1949 President Truman appointed Earl McGrath Commissioner of Education. During the appointment ceremony he told him that it was his desire that "every boy and girl in this country go just as far with his education that his abilities would take him." Thus, for the first time a president had established a national goal emphasizing the need for equal educational opportunity. Although this national support policy was established, little was done to provide funding for higher education until it became apparent that America was becoming technologically deficient.

The Sputnik challenge of 1957 raised the nation's awareness of the value of higher education and America's apparent lag in technological achievement.[32] In order to satisfy the demand for highly trained individuals, particularly scientists and engineers, Congress passed the National Defense Education Act (1958). This act subsidized student loans and graduate fellowships for teachers, scientists, and professional health workers.[33] For the first time, America's graduate education and research establishment was treated as a national resource. The maintenance of a pool of talent in intellectual, scientific and human service areas was necessary to respond to changing social needs both technologically and culturally.[34]

CURRENT TREND IN FEDERAL FELLOWSHIP AND TRAINEESHIP SUPPORT

The Higher Education Act of 1972 legislated a major shift in United States' policy in support of higher education. In response to the oversupply of highly trained people, graduate fellowship and institutional support funds were reduced sharply. Emphasis was switched from training of a professional elite to providing post-secondary educational opportunity for everyone.[35] Doctoral degrees had increased from 10,000 in 1960 to 30,000 in 1969. Social pressures of the late 1960's led to campus unrest. The tension of the Viet Nam era caused continued unrest into the 1970's. As the nation became uneasy about rioutous students, colleges and universities fell in public favor. When the 1973 recession became the most serious economic crisis in 40 years, Congress was quick to slow the flow of funds to higher education.[36]

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[31] Jonathan D. Fife, Applying the Goals of Student Financial Aid (Washington, 1975), p. i.

[32] Robert Snyder, Federal Policy and Graduate Education (Washington, 1975), p. 1.

[33] Perspectives, op. cit., p. 86.

[34] Robert Kirkwood and Susan Uchitelle, "The Danforth Fellowships: A Timely Review," Educational Record, 57 (1976), p. 180.

Additional pressure to divert federal funds from higher education came from the newly highlighted problem areas of energy and the environment. The fact that many individuals were now trained in areas no longer in demand was the finale of large scale federal support for graduate education.[37]

The National Science Foundation is the only major federal fellowship offering agency today. They offer approximately 500 fellowships per year, down from their peak of 50,000 in 1968. The Federal Budget for 1978 shows $75,700,000 for NSF educational activities including fellowships versus $125,900,000 in 1968.

THE OUTLOOK FOR FELLOWSHIPS AND TRAINEESHIPS

The current goals of financial aid in the United States do not indicate that there will be any resurgence in the major funding of fellowships and traineeships to the levels provided in the 1960's. Current goals as articulated through study groups and commissions evaluating higher educational financial aid are:

1. Means should be developed to provide equal educational opportunity to all who would benefit from higher education.

    a. to provide students with access to higher education.

    b. to allow reasonable choice (of institution).

    c. to enable a student to pursue his education to its conclusion.

2. Increase free flow in the educational marketplace - allowing students to base their decisions on academic and not financial considerations.

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[35] Perspectives, op. cit., p. 89.

[36] Kirkwood and Uchitelle, op. cit., p. 180.

[37] Snyder, op. cit., p. 2.

3. Protect the diversity of American higher education by giving support to those institutions contributing to society's needs.[38]

The financing formerly afforded to fellowships and traineeships is now being channeled into need-based financial aid programs such as BEOG, guaranteed student loans, SEOG, and, in New York TAP.

The most promising source of fellowship funds for the future is the corporation. Many businesses have capitalized on the scientific advances which have evolved from government higher educational programs of the 1960's. Educated manpower is a key to corporate success. There are many benefits accruing to a company through its sponsorship of a fellowship program.

1. Broadening of knowledge in a field pertinent to the company.

2. Closeness of a business to a university for possible joint research ventures.

3. Better public image.

4. Easier recruitment of highly trained personnel.

Many companies avoid administrative problems by allowing universities to select students and to administer the programs. The companies, such as IBM and State Farm, are involved only in specifying how the funds are to be used. Other companies, such as General Motors Corporation and Eastman Kodak, provide funds and paid leaves for their own employees to pursue educational goals. Ralston Purina company has made arrangements with various universities to run MBA programs on weekends for their employees. Just as the race for space prompted the federal government to spend huge amounts on technological education, the race for profits is causing corporations to expand expenditures in the area of education.[39]

WHERE TO FIND INFORMATION ABOUT CURRENT SOURCES OF FELLOWSHIP AND TRAINEESHIP FUNDS

Appendix C lists alphabetically over 160 sources of fellowship funds for students wishing to study at institutions of higher learning in New York State. Every effort was made to include only those organizations, institutions, foundations and governmental agencies that did not restrict study to a non-academic institution or to a state other than New York. Appendix D lists the addresses of Federal Departments which offer funds for fellowships and traineeships. In addition to these sources, institutions of higher education offer fellowships and traineeships directly to the students in attendance. Information can be obtained from the financial aid office of the institution one wishes to attend. Appendix E contains a selected bibliography of government publications which can be referenced for information regarding Federal Assistance Programs.

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[38] Fife, op. cit., p. 1.

[39] Guidelines for a Corporate Fellowship Program, prepared by the Council for Financial Aid to Education (New York: 1976), p. 1-5, 41.

The task of obtaining information concerning fellowships and traineeships is monumental. Those wishing to apply for funds are faced with the burden of finding that the fellowship exists, determining if they meet selection criteria, being certain fund stipulations agree with their educational objectives and providing application data by deadlines. The College Entrance Examination Board has made recommendations regarding providing financial aid information. If implemented, these measures could greatly alleviate the burden of obtaining information about sources of educational funds to students. Some major recommendations are:

1. Five percent of all federal aid money for programs should be directed toward information dissemination about the program.

2. The Federal Government should provide funds to set up an administrative service to provide information related to federal financial aid programs.

3. There should be established a National Student Aid Data Bank.

4. States should distribute all financial aid information directly to students. Such information should concern all sources of funds - federal, state, institutional and private.[40]

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[40] Unmet Needs, Report on Student Financial Aid Problems, prepared by the College Entrance Examination Board, (New York: 1976), p. 65.

APPENDIX A

Original TAP Award Schedule

		Public		Private	
Net Taxable Income	Pre TAP Schedule	Lower Div.	Upper Div.	Lower Div.	Upper Div.
Under $2,000	600	650	600	1500	1300
3,000	300	590	540	1440	1240
4,000	300	530	480	1380	1180
5,000	300	470	420	1320	1120
6,000	300	400	350	1250	1050
7,000	200	330	280	1180	980
8,000	200	260	210	1110	910
9,000	100	180	130	1030	830
10,000	100	100	100	950	750
11,000	100	100	100	870	670
12,000	100	100	100	770	570
13,000	100	100	100	670	470
14,000	100	100	100	570	370
15,000	100	100	100	450	250
16,000	100	100	100	330	130
17,000	100	100	100	210	100
18,000	100	100	100	100	100
19,000	100	100	100	100	100
20,000	100	100	100	100	100
Above 20,000	0	0	0	0	0

APPENDIX B

TAP Award Schedule After 1976 Legislation And Incorporation of CUNY

New York State Net Taxable Inc.	Independent College	SUNY Lower Div.	SUNY Upper Div.	CUNY Lower Div.	CUNY Upper Div.
$0 - 2000	1500	750	900	775	925
4000	1380	630	780	655	805
6000	1250	500	650	525	675
8000	1110	360	510	385	535
10000	950	200	350	225	375
12000	770	100	170	100	195
14000	570	100	100	100	100
16000	330	100	100	100	100
18000	100	100	100	100	100
20000	100	100	100	100	100
Over 20000	0	0	0	0	0

APPENDIX C

Organizations Offering Fellowships to Students in New York State

The following list of fellowship offering organizations was compiled by reviewing eight major sources of fellowship information. These sources are coded as follows:

CODE	SOURCE
	Scholarships, Fellowships and Loans, S. Norman Feingold, Bellman Publishing Co., Arlington, Mass.
F3	Volume 3, 1951
F4	Volume 4, 1962
F5	Volume 5, 1971
F6	Volume 6, 1977
GR	The Grants Register 1977-1979, Roland Turner, Editor, St. Martin's Press, New York, 1977
AR	Annual Register of Grant Support 1977-78, Eleventh Edition, Marquis Academic Media, Chicago, Ill., 1977
NS	A Selected List of Major Fellowship Opportunities and Aids to Advanced Education for United States Citizens, prepared under contract with the National Science Foundation by The Fellowship Office, Commission on Human Resources, National Research Council, National Academy of Sciences, Washington, D.C., 1976.
DR	Brochure on announcement received directly from the offering institution.

Included on this list are all organizations whose fellowship description did not indicate that they could not be tendered by students at institutions of higher education in New York State.

The majority of exclusions were of those organizations who offered fellowships solely in the following categories:

1. Travel fellowships
2. Fellowships for study in a specific institution not affiliated with an institution of higher learning such as a library or museum
3. Research fellowships.

Any organization offering the above types of fellowships in conjunction with or in addition to degree study fellowships were included.

GR African-American Institute
833 United Nations Plaza
New York, New York 10017

GR Agricultural Development
Council, Inc.
630 Fifth Avenue
New York, New York 10020

GR Alergy Foundation of America
801 Second Avenue
New York, New York 10017

F6 Alpha Lambda Delta
Box 279
Lewisburgh, Pa. 17837

F3 American Academy of Arts &
Sciences
165 Allendale Street
Boston, Mass. 02130

GR American Accounting Assoc.
653 South Orange Ave.
Sarasota, Florida 33577

GR American Assembly of
Collegiate Schools of
Business
Suite 50
760 Office Plaza
St. Louis, Missouri 63141

GR American Association of
University Women
2401 Virginia Ave., N.W.
Washington, D.C. 20037

F5 American Bankers Association
90 Park Avenue
New York, New York 10016

F6 American Cancer Society
219 E. 42nd Street
New York, New York 10017

GR American College of Chest
Physicians
911 Busse Highway
Park Ridge, Ill. 60068

GR American Congress on Survey-
ing and Mapping
430 Woodward Building
737 15th Street, N.W.
Washington, D.C. 20005

F3 American Council of
Learned Societies
345 East 46th Street
New York, New York 10017

F5 American Dietetic Association
430 North Michigan Ave.
Chicago, Ill. 60611

F3 American Foundation for
the Blind
15 West 16th Street
New York, New York 10011

F6 American Foundation for
Pharmaceutical Education
14-25 Plaza Road
Fairlawn, N.J. 07410

F3 American Friends of the
Middle East
1717 Massachusetts Ave., N.W.
Washington, D.C. 20036

F5 American Fund for Dental
Education
211 East Chicago Ave.
Chicago, Ill. 60611

GR American Home Economics
Association Foundation
2010 Massachusetts Ave., N.W.
Washington, D.C. 20036

AR The American Institute
of Architects
1735 New York Ave., N.W.
Washington, D.C. 20006

GR American Institute of
Certified Public Accountants
1211 Avenue of the Americas
New York, New York 10036

GR American Institute for
Economic Research
Great Barrington, Mass. 01230

F5 American Institute of Indian Studies
University of Chicago
Chicago, Ill. 60637

GR American Institute of Steel Construction
1221 Ave. of the Americas
New York, New York 10020

GR American Lung Association
1740 Broadway
New York, New York 10019

GR American Nuclear Society
244 East Ogden Ave.
Hinsdale, Ill. 60521

F5 American Numismatic Society
Broadway between 155th and 156th Streets
New York, New York 10032

GR American Optometric Foundation
1730 M Street, N.W.
Suite 411
Washington, D.C. 20036

F4 American Political Science Association
1527 New Hampshire Ave., N.W.
Washington, D.C. 20036

F4 American Psychiatric Association
1700 18th Street, N.W.
Washington, D.C. 20009

F6 American Respiratory Therapy Foundation
7411 Hines Place
Dallas, Texas 75235

GR American Society of Civil Engineers 345 E. 47th Street
New York, New York 10017

F5 American Society for Engineering Education
One Dupont Circle
Washington, D.C. 20035

GR American Society for Photogrammetry
105 North Virginia Ave.
Falls Church, Va. 22046

F6 American Sociological Association
1722 N Street
Washington, D.C. 20036

F3 American Thoracic Society
1740 Broadway
New York, New York 10019

GR Archaeological Institute of America
260 West Broadway
New York, New York 10013

GR Arthritis Foundation
1212 Avenue of the Americas
New York, New York 10036

GR Arthur Anderson & Company
Director of Personnel
69 West Washington Street
Chicago, Ill. 60602

AR Artists for Environment Foundation
Star Route Box 14
Columbia, N.J. 07832

GR Barnett Memorial Fund
232 Madison Avenue
New York, New York 10016

F6 Belgian American Educational Foundation, Inc.
420 Lexington Avenue
New York, New York 10017

F6 Boy's Club of America
771 First Avenue
New York, New York 10017

F5 Business and Professional Women's Foundation
2012 Massachusetts Ave., N.W.
Washington, D.C. 20036

AR The Canada Council
151 Sparks Street
P. O. Box 1047
Ottawa, Ontario, Canada K1P5V8

GR James McCattell Fund
Box 219
525 W. 120th Street
New York, New York 10027

F4 CBS Foundation
485 Madison Avenue
New York, New York 10022

GR Commonwealth Fund
Harliness House
1 East 75th Street
New York, New York 10021

GR Consortium for Graduate Study in Management
101 North Skinker Blvd.
Box 1132
St. Louis, Missouri 63130

GR Corning Glass Works Foundation
Houghton Park - CB - 5
Corning, New York 14830

F6 Council for European Studies
1429 International Affairs Building
Columbia University
New York, New York 10027

GR Fellowship Program
Council on Library Resources
One Dupont Circle
Washington, D.C. 20036

GR Council for Opportunity in Graduate Management Education
675 Massachusetts Ave.
Cambridge, Mass. 02139

F6 Creative Artists Public Service Program
250 W. 57th Street
New York, New York 10019

F4 Dairy and Food Industries Supply Association
5530 Wisconsin Ave., N.W.
Washington, D.C. 20015

F5 Danforth Foundation
222 South Central Ave.
St. Louis, Missouri 63105

GR Delta Gamma Executive Offices
Grants & Loan Chairman
3250 Riverside Drive
Columbus, Ohio 43221

F3 Delta Sigma Theta Sorority
1707 New Hampshire Ave. N.W.
Washington, D.C. 20009

F5 Devereux Foundation
Institute for Training
Devon, Pa. 19333

GR Diane Matthews
Doubleday and Co.
245 Park Ave.
New York, New York 10017

F6 Earhart Foundation
First National Building
Ann Arbor, Michigan 48108

F5 Educational and Cultural Trust Fund for the Electrical Industry
158-11 Jewell Avenue
Flushing, New York 11365

GR Electrical Women's Round Table
University of Missouri
162 Stanly Hall
Columbia, Mo. 65201

GR Education Department
English Speaking Union of the Commonwealth
Dartmouth House
37 Charles Street
London W1X8AB

F6 EFA Research and Training Institute
Epilepsy Foundation of America
1828 L Street, N.W.
Washington, D.C. 20036

GR Episcopal Church Foundation
815 Second Avenue
New York, New York 10017

F6 The Farm Foundation
1211 W. 22nd Street
Oak Brook, Ill. 60521

GR Fight for Sight
41 West 57th Street
New York, New York 10019

F6 Graham Foundation for
Advanced Studies in the Fine
Arts
4 West Burton Place
Chicago, Ill. 60610

F6 Grumman Aerospace Corp.
Bethpage, New York 11714

F5 The Ford Foundation
320 E. 43rd Street
New York, New York 10017

GR Fund for Theological
Education, Inc.
Research Park
Building J
1101 State Road
Princeton, N.J. 08540

AR Germanistic Society of
America
809 United Nations Plaza
New York, New York 10017

GR Graduate Women in Science
Department of Continuing
Education
610 Walnut Street
Madison, Wisconsin 53706

F6 The George and Eliza Gardner
Howard Foundation
Brown University
Box 1867
Providence, R.I. 02912

GR John Simon Guggenheim
Memorial Foundation
90 Park Avenue
New York, New York 10016

AR Fannie and John Hertz
Foundation
1281 Westwood Blvd.
Los Angeles, Calif. 90024

GR Hughes Aircraft Co.
Scientific Education Office
World Way
P. O. Box 90515
Building 100/444
Los Angeles, Calif. 90009

GR Scientific Research Dept.
IBM Corporation
P. O. Box 218
Yorktown Heights, N.Y. 10598

GR Institute of Electrical
and Electronic Engineers
345 E. 47th Street
New York, New York 10017

F4 Institute of Food Technologists
221 N. LaSalle Street
Chicago, Ill. 60601

GR Institute of Traffic Engineers
P. O. Box 9234
Arlington, Va. 22209

F5 International Federation of
University Women
17a Kings Road
Aioane Square
London, S. W. 3 England

GR Dr. S. F. Radtke
International Lead-Zinc
Research Organization
292 Madison Avenue
New York, New York 10017

GR International Research and
Exchange Board
110 East 59th Street
New York, New York 10022

GR International Road Federation
1023 Washington Building
Washington, D.C. 20005

GR International Telecommunication Union
Palais des Nations
CH-1211
Geneva 20, Switzerland

F5 International Union Against
Cancer
P. O. Box 400
1211 Geneva 2 Switzerland

F6 Richard D. Irwin Foundation
1818 Ridge Road
Homewood, Ill. 60430

AR Japan United States
Friendship Commission
1875 Connecticut Ave., N.W.
Suite 709
Washington, D.C. 20009

F5 Jewish Child Care
Association of New York
345 Madison Avenue
New York, New York 10017

F3 Kappa Alpha Theta
801 Davis Street
Suite 400
Evanston, Illinois 60201

AR Kappa Epsilon Fraternity
Box 11
Boonville, Mo. 65233

F5 Kappa Kappa Gamma
Fraternity
530 East Tower Street
Columbus, Ohio 43216

F6 The Joseph Kennedy, Jr.
Foundation
1701 K Street, N.W.
Washington, D.C. 20006

F6 The Kate Neal Kinely
Memorial Fellowship
Dean of theCollege of Fine &
Applied Arts
University of Illinois
Urbana-Champaign, Ill. 61801

F6 Knights of Columbus
P. O. Drawer 1670
New Haven, Conn. 06507

F4 Kosciuszko Foundation
15 E. 65th Street
New York, New York 10021

GR Leukemia Society of
America, Inc.
211 East 43rd Street
New York, New York 10017

F6 The Josiah Macy, Jr.
Foundation
One Rockefeller Plaza
New York, New York 10020

F6 Medical Assistance Program,
Inc.
Box 50
327 Gudersen
Wheaton, Ill. 60187

GR Merck Company Foundation
Rahway, New Jersey 07065

AR The Metropolitan Museum of
Art
First Avenue at 82nd Street
New York, New York 10028

F6 The John Motley Moorehead
Foundation
P. O. Box 348
Chapel Hill, N.C. 27514

F3 Middle East Institute
1761 N Street, N.W.
Washington, D.C. 20036

F3 Modern Language Association
of America, Inc.
62 Fifth Avenue
New York, New York 10011

F3 Mortar Board
93-R Fawcett Center for
Tomorrow
Ohio State University
2400 Olentangy River Rd.
Columbus, Ohio 43210

F3 Muscular Dystrophy Assoc.
of America, Inc.
810 7th Avenue
New York, New York 10019

GR Earl Warren Training Program
Inc.
Suite 2090
10 Columbus Circle
New York, New York 10019

GR National Association of
Independent Schools
4 Liberty Square
Boston, Mass. 02109

F5 National Association of
Purchasing Management Inc.
11 Park Place
New York, New York 10007

F5 National Association of
Women Deans and Councilors
1201 Sixth Avenue N.W.
Washington, D.C. 20036

GR UCAR Fellowship Committee
National Center for
Atmospheric Research
P. O. Box 300
Boulder, Colorado 80303

F3 National Council to Combat
Blindness
41 West 57th Street
New York, New York 10019

F6 National Council of the
Young Men's Christian
Society of the U.S.A.
291 Broadway
New York, New York 10007

NS National Endowment for the
Humanities
806 Fifteenth St. N.W.
Washington, D.C. 20506

NS National Fellowship Fund
Suite 484
795 Peach Tree St. N.E.
Atlanta, Georgia 20208

GR National Football Foundation
17 East 80th Street
New York, New York 10021

F6 National Foundation for
Jewish Culture
122 East 42nd Street
New York, New York 10017

F3 National Foundation
March of Dimes
Box 2000
White Plains, N.Y. 10602

F3 National Institute of Arts
and Letters
633 West 155th Street
New York, New York 10032

NS National Institute of Mental
Health
5600 Fisher Lane
Rockville, Missouri 20852

F4 National League for Nursing
10 Columbus Circle
New York, New York 10019

F6 National Medical Fellowship,
Inc.
3935 Elm Street
Downers Grove, Illinois 60515

F3 National Multiple Sclerosis
Society
257 Park Avenue
New York, New York 10010

F6 National Scholarship Trust
Fund of the Educational
Council of The Graphic
Arts Industry
4615 Forbes Avenue
Pittsburgh, Pa. 15213

NS National Science Foundation
National Research Office
2101 Constitution Avenue
Washington, D.C. 20418

F5 National Society
Daughters of the American
Revolution
1776 D Street, N.W.
Washington, D.C. 20006

F3 National Vitamin
Foundation, Inc.
15 East 58th Street
New York, New York

GR National Wildlife
Federation
1412 Sixteenth Street, N.W.
Washington, D.C. 20036

F6 New Jersey STate Federation
of Women's Clubs
170 Mt. Kemble Avenue
Morristown, N.J. 07960

F5 The New York Academy of
Medicine
2 East 103rd Street
New York, New York 10029

F4 New York Botanical Gardens
Bronx Park, N. Y. 10017

F5 New York City
Office of the Mayor
250 Broadway
New York, New York 10007

F3 New York State Department
of Health
Division of Medical Services
39 Columbia Street
Albany, New York

F6 New York State Higher Education Services, Corp.
Tower Building
Empire State Plaza
Albany, New York 12223

GR Cooperstown Graduate Program
FEllowship
New York State Historical
Society
Cooperstown, New York 13320

F3 New York State Mental
Health Commission
212 State Street
Albany, New York

GR Nurse's Educational
Fund, Inc.
10 Columbus Circle
New York, New York 10019

F5 Omega Psi Phi Fraternity
2714 Georgia Ave., N.W.
Washington, D.C. 20001

GR Office of Fellowship &
Training
Organization of American
States
Washington, D.C. 20006

AR Pan American Health
Organization
525 23rd Street, N.W.
Washington, D.C. 20037

GR Pharmaceutical Manufacturers
Association Foundation
1155 15th Street, N.W.
Washingtin, D.C. 20005

GR Phi Beta Kappa
1811 Q Street, N.W.
Washington, D.C. 20009

GR Population Council
245 Park Avenue
New York, New York 10017

F5 Poynter Fund
Times Publishing Co.
1155 East 60th Street
Chicago, Illinois 60637

F3 Psi Chi, National Secretary
Treasurer
1200 17th Street, N.W.
Washington, D.C. 20036

GR Pulitzer Prizes
702 Journalism
Columbia University
New York, New York 10027

GR R.C.A.
David Sarnoff Research
Center
Princeton, New Jersey 08540

GR Ralston Purina Food Science
Graduate Fellowship Committee
Checkerboard Square
St. Louis, Mo. 63188

F6 Research Corporation
405 Lexington Ave.
New York, New York 10017

F5 Resources for the Future
1755 Massachusetts Ave., N.W.
Washington, D.C. 20036

GR Rockefeller Foundation
1133 Avenue of the Americas
New York, New York 10036

NS The Rotary Foundation
Consult Directory for Local
Address

F5 The Russell Sage Foundation
230 Park Avenue
New York, New York 10017

F6 St. Regis Paper Co.
150 East 42nd Street
New York, New York 10017

F3 Sigma Theta Tau
School of Nursing
1100 West Michigan Street
Indianapolis, Indiana 46202

GR Social Science Research
Council
605 Third Avenue
New York, New York 10016

F5 The Society for Religion
& Higher Education
400 Prospect Street
New Haven, Conn. 06511

GR Southern Fellowships Fund
795 Peachtree Street, N.E.
Atlanta, Georgia 30308

GR State Farm Companies
Foundation
1 State Farm Plaza
Bloomington, Ill. 61701

F6 The John Frederick Stinman
Fellowship Fund
8 West King Street
Lancaster, Pa. 17604

F6 Tau Beta Pi Association
Box 8840
University Station
Knoxville, Tenn. 37916

GR Technical Association of
the Graphic Arts
4615 Forbes Avenue
Pittsburgh, Pa. 15213

GR Tinker Foundation
645 Madison Avenue
New York, New York 10022

F6 United Cerebral Palsy
Research & Educational
Foundation, Inc.
66 East 34th Street
New York, New York 10016

GR The United Educators, Inc.
Tangley Oaks Educational
Center
Lake Bluff, Ill. 60044

F5 United Methodist Church
Room 1349
475 Riverside Drive
New York, New York 10027

NS U. S. Office of Educators
Graduate Fellowship
Program
Washington, D.C. 20202

NS U. S. Department of Justice
Office of Criminal Justice,
Education & Training
Washington, D.C. 20531

F6 The University Consortium
for World Order Studies
1855 Broadway
New York, New York 10023

AR Virginia Museum
Boulevard and Grove Ave.
Richmond, Va. 23221

GR Thomas J. Watson Foundation
188 Benefit Street
Providence, R.I. 02903

F3 Welding Research Council
of the Engineering
Foundation
345 East 47th Street
New York, New York 10017

F6 Wellesly College
Wellesly, Mass. 02181

F4 Wenner-Green Foundation
for Anthropological
Research
14 East 71st Street
New York, New York 10021

F6 The Helen Kay Whitney
Foundation
1230 York Avenue
New York, New York 10021

F5 Women's Medical Association
of the City of New York
1300 York Avenue
New York, New York 10021

F6 Women's National Farm
& Garden Association, Inc.
Portland Road
Summit, New Jersey 07901

DR Whitney M. Young
Memorial Foundation, Inc.
100 Park Avenue
New York, New York 10017

F5 Woodrow Wilson National
Fellowship Foundation
Box 642
Princeton, N.J. 08540

F6 Zonta International
59 East Van Buren Street
Chicago, Ill. 60605

APPENDIX D

Federal Government Departments Offering Fellowship and Traineeship Funds

The following governmental departments can be contacted directly for information about fellowships and traineeships offered under their programs. Correspondence should be addressed to the Office of the Secretary.

U. S. Department of	Washington, D. C.
Agriculture	20250
Defense	20230
Health, Education & Welfare	20301
Housing and Urban Development	20201
Interior	20240
Justice	20530
Labor	20210
State	20520
Transportation	20590
Treasury	20220

APPENDIX E

Sources of Information on Federal Assistance Programs

All of the following publications are available from the Superintendant of Documents, Washington, D.C. 20402 unless otherwise noted.

1. Catalog of Federal Domestic Assistance, annual
2. Federal Register, daily
3. Code of Federal Regulations, annual
4. Catalog of Federal Loan Guarantee Programs
5. Catalog of Youth Programs, annual, 1971
6. Programs of H.U.D., H.U.D., 451 7th Street, S.W. Washington, D.C. 20410
7. Guide to Programs, National Science Foundation, annual
8. National Endowment for the Arts, Guide to Programs, National Endowment for the Arts, Washington, D.C. 20506, annual
9. Guide to N.I.H. Programs and Awards, N.I.H., Division of Research Grants, 5333 Westbard Ave., Bethesda, Maryland, 20016, annual
10. Federal Assistance Programs of the Environmental Protection Agency, E.P.A., Washington, D.C. 20460
11. Grantsmanship Center News, 1015 West Olympic Blvd., Los Angeles, California, 90015, bi-monthly

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CHAPTER 9

STUDENT ASSISTANCE - NDEA AND OTHER LOANS; REGENTS SCHOLARSHIPS

Carol Bernard

NATIONAL DIRECT STUDENT LOAN PROGRAM

Title II of the National Defense Education Act of 1958 established a student loan fund known as the National Defense Student Loan Program. It was renamed the National Direct Student Loan Program (NDSLP) under the Higher Education Amendments of 1972. The major differences between the two involve aggregate amounts which may be borrowed, repayment terms and cancellation benefits.

The purpose of the National Direct Student Loan Program is to provide long term, deferred loans with a low interest rate (three percent) to students who need financial aid in order to finance their higher education. The program encourages the creation of effective, centralized financial aid programs at colleges, some of which may never have had extensive financial aid programs. The program is not based on commercial loan practices: it requires no collateral, but it does require evidence of financial need. No interest accrues while a student begins nine months after the borrower ceases to carry at least a half-time course load. Also, the student has a ten year period after graduation in which to repay the loan.[1]

In order for a college to participate in the NDSLP it must apply annually with the Regional Office of Education. A loan fund is established at the college which consists of 90 percent Federal capital contribution and a 10 percent matching contribution from the college. Funding is initially allocated by the Federal Commissioner of Education on the basis of an allotment formula. A state allotment of Federal capital is allocated on the ratio of students enrolled full time in institutions of higher education in each state to the total number of students enrolled full-time in all institutions in all states.[2]

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[1] Miller, p. 105.

In 1973, $286 million was appropriated by Congress for the program. New York received $23.8 million, which was the second largest appropriation; California received the largest of $40 million.[3] Appropriations for the last three years have been:[4]

1974	$298 million
1975	$329 million
1976	$332 million

To be eligible for a National Direct Student Loan a student must be a U. S. citizen or permanent resident of the United States. The student must also be accepted by or enrolled in an accredited institution of higher education either on a full or part time basis. The student must be in need of a loan and be able to maintain good standing. The college has the responsibility of determining the eligibility and amount of financial assistance to be given. No loan should be made to a student who demonstrates an unwillingness to repay. Unwillingness is demonstrated by a credit history of non-payments of debt or delinquencies on other loans.[5]

In order to determine the student's need for a loan the college takes several factors into consideration. These include the income, assets and resources of the applicant and family and the cost of the education. The institution performs the need analysis. For dependent students there are two methods which can be used to determine financial need. These two are the method of expected family contribution used in the Basic Educational Opportunity Grants Program, and the Income Tax System. The former is computed by determining the effective family income of the student applicant's parents and subtracting the "family size offset." This offset is specified in the following table:

Family Size	Dollar Amounts
2	$3,650
3	4,400

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[2] Hall, p. 1.

[3] 45 CFR 144 (1976), p. 561.

[4] Annual Evaluation Report, p. 246.

[5] Student Financial Aid Handbook, Chap. 8, p. 8-3.

Family Size	Dollar Amounts
4	$5,600
5	6,600
6	7,500
7	8,300
8	9,150
9	10,000
10	10,850
11	11,700
12	12,500

The remainder is defined as discretionary income. To determine the expected family contribution from parental income the following rates are applied to discretionary income:[6]

Discretionary Income	Expected Family Contribution
$ 0	No contribution expected.
1-4,999	20% of Discretionary Income
5,000 or more	$1,000 plus 30% of Distretionary Income in excess of $5,000

The second method of need analysis is the Income Tax System. The expected family contribution should be an amount equal to the amount of Federal Income tax paid by the parents of the student plus five percent of the parent's net assets in excess of $12,500.[7]

The loans can be disbursed from the college either directly to the student or may be put into an account at the college in the student's name and the college can withdraw the money needed for tuition, room and board. The borrower must sign a notarized affidavit of educational purpose for the loan. The loan is evidenced by a promissory note executed by the student borrower.[8]

An undergraduate may borrow a maximum of $5,000 over his entire undergraduate education. Up to $2,500 may be lent to an undergraduate during the first two years of college and an additional $2,500 over the next two years of undergraduate education. Graduate students may borrow a total of $10,000 which includes any amount borrowed under NDSL for undergraduate study.

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6 45 CFR 190 (1976), pp. 1086-1087.

7 45 CFR 144 (1976), p. 558.

8 Student Financial Aid Handbook, Chap. 8, p. 8-5.

Repayment of the loan begins nine months after the student ceases to carry a half time work load and ends ten years and nine months after this time. Repayment schedules are established by the lending institution, that is, the college. Payments could be monthly, bimonthly or quarterly. The institution does have the option to require a thirty dollar minimum repayment of principal and interest bimonthly or quarterly. Repayment of the loan and the accrual of interest can be deferred in many ways. If a student continues his education and enters graduate school on at least a half-time basis, the student is usually granted a deferment on the starting date or the repayment date of the loan by the college. If a student borrower enters the Armed Forces of the U. S. or is a VISTA volunteer under Title I - Part A of the Domestic Services Act of 1973 or a volunteer under the Peace Corps Act, repayment is deferred for a maximum of three years. Deferment is offered on a day for day basis for the three year maximum. Any such deferment periods are not included in the ten year repayment period. Borrowers claiming deferment status must submit their requests for deferment to the college on a form, "Request for Deferment of Repayment Because of Armed Force, Student, Peace Corps, or VISTA Status." This certification form, which the borrower gets from the college, is submitted when the first repayment installment is due following the borrower's entering into eligible deferment status. This form must be filed annually for as long as the deferment is claimed.[9]

The National Direct Student Loan Program provides for cancellation of loans. A borrower who becomes a full time teacher of handicapped children in a public or nonprofit elementary or secondary school can have part of his loan cancelled. A full time teacher in a school with a high concentration of students from low income families, which are designated by the Commissioner of Education, can have part of his loan cancelled. The cancellation rates for these teachers are as follows:[10]

first year	15%
second year	15%
third year	20%
fourth year	20%
fifth year	30%
Total	100%

The cancellation provision for members of the Armed Forces of the U. S. is 12½ percent for each year of service in an area of hostility that qualifies for special pay. The borrower is allowed a maximum of 50 percent loan cancellation which equals four years of service at 12½ percent per year. A borrower whose loan was made after June 30, 1972 who becomes a full time staff member of the preschool program known as Head Start is entitled to full cancellation of loan and interest at a rate of 15 percent a year. No interest is charged for any of the above for that part of the loan which is cancelled. The loan and any accrued interest are cancelled upon the death of the borrower. The loan is also cancelled if the borrower becomes permanently and totally disabled after receiving the loan. Finally, a loan will be cancelled if the lending institution receives an official notice of the borrower's bankruptcy from the bankruptcy court.[11]

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[9] Ibid., p. 8-19.

[10] Ibid., p. 8-28

The collection of loans under the program is important because every loan repaid represents funds available to be lent again. It is the responsibility of the college to utilize forceful collection procedures of all outstanding student loans. A student must be given an exit interview with the financial aid advisor. At this time they discuss the repayment schedule, which is signed by the borrower. The student is also advised of his rights, for example, the right to accelerate loan repayment and the right to defer or cancel his loan if he meets certain criteria. Existing information in the borrower's file is also checked at this time to assure that it contains adequate information to trace him. Billing can be quarterly or monthly with most institutions prefering monthly.[12]

An institution may use a billing service to carry out its required billing procedure but the costs of the service cannot be deducted from the Fund. A collection agency may be used if necessary and the costs may be charged to the Fund as are reasonable litigation costs on a 90:10 percent basis.[13]

In fiscal year 1976-77, 3,167 institutions throughout the United States participated in the program. This is an increase of 500 institutions from two years prior. The average NDSL made for fiscal year 1976-1977 was $750. By institutional control, the average loan for fiscal year 1976-1977 was $690 for public institutions and $840 for private institutions. The following is a distribution by type of institution within the above two controls, public and private:[14]

Public two year	$580
Private two year	$640

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[11] *Ibid.*, p. 8-29.

[12] *Ibid.*, p. 8-33.

[13] *Ibid.*

[14] Atelsek, Table 5.

Public four year	$670
Private four year	$760
Public University	$760
Private University	$1,060

The effectiveness of the program can be measured by analyzing the distribution of funds to student borrowers in the United States by various characteristics. Using the following table, Characteristics of Students Receiving Aid. Under the NDSL Program for the U. S., certain general observations can be made. For fiscal year 1976-1977, 22 percent of all student borrowers were dependent students from families with income less than $7,500. Half of the student borrowers were male and half were female. Less than 30 percent of all borrowers were from racial/ethnic groups. These groups are defined as either Black, Hispanic, Asian or Pacific Islander, or American Indian or Alaskan Native. About 95 percent of all recipients are full time students. Therefore, National Direct Student Loans are going to students of lower and lower-middle income families with incomes below $15,000.[15]

Students whose parental income is over $15,000 utilize guaranteed student loans more often. Generally, students from family incomes greater than $15,000 do not meet the need analysis tests necessary for NDSL. However, under the guaranteed student loan program a student whose parental income is less than $25,000 is considered in need of financial aid.

A specific distribution of NDSL's within New York State is unavailable. Therefore, using the table of Characteristics of Students Receiving Aid under the NDSL Program for the U. S. along with the total student population in the higher education system of New York STate of 922,000 an extrapolated table can be presented.

PUBLIC INSTITUTIONS

	Total	Two Year	Four Year	University
% from table	61%	16%	42%	42%
Extrapolated N.Y. Statistics:				
# of students	562,359	89,977	236,191	236,191

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[15] Annual Evaluation Report, p. 248.

PRIVATE INSTITUTIONS

	Total	Two Year	Four Year	University
% from table	39%	7%	67%	26%
Extrapolated N.Y. Statistics:				
# of students	359,541	25,168	240,892	93,481

GUARANTEED STUDENT LOAN PROGRAM (GSLP)

New York State recognized the need for a program which would help individuals meet the costs of higher education. In 1957 the state created the New York Higher Education Assistance Corporation (NYHEAC). It was designated by Governor Rockefeller as the state agency to administer to New York State residents the federally insured student loan program. NYHEAC was dissolved and the New York State Higher Education Services Corporation (NYSHESC) was created to take its place on July 1, 1975.[16] The federally insured student loan program was authorized for all states under the Higher Education Act of 1965, Title IV, Part B. This guaranteed student loan program (GSLP) is currently extended through September 30, 1981 by the Education Amendments Act of 1976.[17]

The primary objective of GSLP is to provide aid in financing college expenses to students from middle income families who have been excluded from loan assistance under other financial aid programs. The program is designed to use private loan capital supplied primarily by commercial lenders such as commercial banks, savings and loans associations and credit unions.[18] The current interest rate on the student loan is seven percent. Repayment does not begin until nine months after graduation or withdrawal from school.

In case of default these commercial loans are guaranteed by NYSHESC for 100 percent of the outstanding balance. The Federal Government guarantees NYSHESC 80 percent of the outstanding balance. Students apply for a loan from the lender, and not from the Federal Government or NYSHESC. The annual loan limit for undergraduates is $2,500 per year. A student's total loans outstanding cannot exceed $7,500 for undergraduate work. A

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[16] Report of the Select Committee on Higher Education, p. 102.

[17] Student Financial Aid Handbook, p. 9-1.

[18] Ibid.

Characteristics of Students Receiving Aid Under the National Direct Student Loan (NDSL) Program, by Type and Control of Institution, 1976-77

(In Percentages)

Characteristics	Total Institutions	Public Institutions				Private Institutions			
		Total	Two-year	Four-year	University	Total	Two-year	Four-year	University
Number of recipients	737,000	465,000	73,000	196,000	196,000	292,000	20,000	195,000	78,000
Sex									
Women	49.7	51.5	52.0	54.2	48.6	46.9	62.0	46.8	38.4
Men	50.3	48.5	48.0	45.8	51.4	53.1	38.0	53.2	61.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Racial/Ethnic Group									
Minority	25.7	29.0	39.7	29.2	24.9	20.2	16.0	19.9	22.1
Nonminority	74.3	71.0	60.3	70.8	75.1	79.8	84.0	80.1	77.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Enrollment									
Full-time	95.5	93.9	88.2	96.1	93.9	98.0	99.3	98.0	97.5
Part-time	4.5	6.1	11.8	3.9	6.1	2.0	.7	2.0	2.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Status									
Dependent Undergraduate Family Income									
Less than $6,000	14.9	16.0	20.0	18.3	12.3	13.1	20.6	13.0	11.6
$6,000 - $7,499	6.9	7.2	8.0	7.9	5.8	6.4	11.9	6.4	5.3
$7,500 - 11,999	17.8	17.1	14.7	17.9	17.2	18.8	24.0	19.7	15.6
$12,000- 14,999	16.5	14.4	9.8	14.8	15.9	19.8	10.7	20.8	17.7
$15,000 or more	14.5	9.4	5.0	8.9	11.5	22.8	12.2	23.9	22.9
Independent Undergraduates	21.6	28.1	41.7	26.2	25.1	11.1	12.6	12.7	7.1
Graduate Students	7.3	7.8	--	6.1	12.4	7.9	--	3.7	19.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

student can borrow a maximum of $15,000 if (s)he continues for graduate study.[19]

A student is eligible for a loan if he is a full or part time candidate for a degree at a college approved by the Regents of the University of the State of New York. If the college is out of state it must be a regionally accredited college in order for the student to be eligible. The student must provide the lender and NYSHESC with information concerning the estimated education costs and any other aid awarded to meet these costs. The student must be a resident of New York State and a citizen or permanent resident of the United States.[20]

A student obtains a loan application from a participating lender or from the financial aid advisor at his college. He and his parents fill out the information requested on the application. It is then submitted to the financial aid advisor for completion of the Educational Institution Section. The application is then forwarded to the lender by the advisor. The student then meets with a bank officer of the lending institution. The bank officer makes a recommendation concerning the loan and forwards the application to NYSHESC. Within three weeks NYSHESC usually notifies all three participants of its decision to guarantee or refuse the loan. When notified of approval the student must sign the promissory note prior to disbursement of the loan by the lender. A qualified student borrows from the lender on a separate promissory note as necessary for each school year that he requires money.[21]

For loans disbursed prior to August 3, 1968, the annual interest rate was six percent. The current interest rate is seven percent. A student may be eligible for federal interest benefits. Federal interest benefits are payments by the Federal Government of the interest accruing on the loan outstanding. The Federal Government pays the total interest to the lender. So that, the only interest the student is responsible for is that which accrues during the repayment period. A student is eligible for federal interest benefits depending upon either adjusted family income or a financial need test. Adjusted family income is defined as "an amount equal to 90 percent of the adjusted gross income for the tax year preceding the execution date of the promissory note of the student borrower, his spouse and his parents less the total dollar amount of personal exemptions on such tax return."[22] A financial need analysis is prepared by the financial aid advisor in order to determine the amount of financial support the parents can reasonably provide the student and is based on the parents' assets, income, and liabilities. This support and any other financial aid the student will receive are subtracted from the total educational costs. The remainder is the student's financial need.

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[19] Ibid., p. 9-3.

[20] New York State's Answer, p. 1.

[21] Ibid., p. 2.

[22] Federally Insured Student Loan Program, Manual for Lenders, Appendix E, Glossary, first page.

For loans issued before December 15, 1968, the federal interest benefit was that the Federal Government paid the lender three percent of the unpaid balance of the loan and the student paid the remaining three percent while the student was in school. For loans disbursed after December 15, 1968 the Federal Government pays the total interest and the borrower pays no interest while in school.[23] In order to qualify for federal interest benefits the disbursement date of the loan and adjusted family income are the important factors, as shown below.

Time Period	Maximum Loan Amount Eligible Per Academic Year	Adjusted Family Income Qualifying for Federal Interest Benefits
A. Currently issued	$2,500	Less than $25,000- automatically eligible for interest benefits.
B. Loan commitment issued on or after 6/3/74	2,500	Less than $15,000- automatically eligible.
C. Between 3/1/73 and 6/2/74	2,500	No maximum adjusted family income; need analysis required for each loan.
D. Between 8/19/72 and 2/28/73	1,500	Less than $15,000.
E. Between 7/1/72 and 8/18/72	2,500	No maximum adjusted family income; need analysis required for each loan.
F. Before 7/1/72	1,500	Less than $15,000.

SOURCE: Federally Insured Guaranteed Student Loan Program - Manual for Lenders.

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[23] *Ibid.*, p. VI.2.3.2.

Besides federal interest benefits, New York State offers its own state interest benefits. This new state subsidy program was a major provision of the 1974 Higher Education Program Bill in New York State. The program was created for student borrowers who are not eligible for federal interest benefits because their family incomes exceeded $25,000. New York State will pay four percent of the seven percent interest rate for families with adjusted gross incomes of $25,000 to $30,000 while the student is in school. However, if the adjusted family income exceeds $30,000 per year and "need" is not established the student may apply for an unsubsidized loan. In this case the student assumes the responsibility of paying the full seven percent interest from the time he receives the loan funds.[24]

The following table outlines the current interest rates and the student loan fee or "insurance premium." This fee is one percent per year of the loan amount based upon the date of graduation and the nine month grace period. The student pays this fee to the lender when the funds are disbursed. The lender forwards the fee to NYSHESC.

Adjusted Family Income	Annual Percentage Rate in school and 9 mo. grace period	Interest Rate Paid by Student in school and 9 mo. grace period	Interest Rate Paid by Gov't in school and 9 mo. grace period	Insurance Premium Paid by Student in school and 9 mo. grace period	Annual Percentage Rate out of school and in Repayment Paid by student
0-Less than $25,000	8%	0%	7%	1%	7%
$25,000-Less than $30,000	8%	3%	4%	1%	7%
$30,000 or more	8%	7%	0%	1%	7%

Repayment with interest normally begins in scheduled periodic installments which begin no earlier than nine months and no later than one year after the student ceases to be a full time student. When the student has borrowed over $2,000 the promissory note provides for repayment of the loan principal over a minimum period of not less than five years unless both parties agree otherwise. The repayment period cannot exceed ten years from the start of the repayment schedule and cannot exceed fifteen years from the execution date of the original promissory note.[25]

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24 Report of the Select Committee on Higher Education, pp. 104-105.

25 Student Financial Aid Handbook, p. 9-5.

The following schedule outlines the minimum payments a student will be required to make beginning with the tenth month after graduation or withdrawal from the program.

Amount Borrowed	Minimum Monthly Payment	Total of Payments	Finance Charge (Annual Percentage Rate 7%)	Maximum Number of Monthly Payments
$ 1,000	$36.43	$ 1,092.90	$ 92.90	30
2,000	39.60	2,376.00	376.00	60
3,000	45.28	3,803,52	803.52	84
4,000	50.03	5,403,24	1,403.24	108
6,000	69.66	8,359.20	2,359.20	120
7,000	81.28	9,753.60	2,753.60	120
9,000	104.50	12,540.00	3,540.00	120
10,000	116.11	13,933.20	3,933.20	120

A student borrower could be permitted to make payments of less than $30 per month under unusual circumstances. This type of request is made to the lender.

Federal interest benefits are not paid during the repayment period except for loans disbursed before December 15, 1968. For loans disbursed prior to August 3, 1968 the federal interest payment is three percent on the unpaid principal balance and the borrower pays a maximum of three percent. For loans disbursed on or after August 3, 1968 but before December 15, 1968 the federal payment is three percent on the unpaid principal balance and the borrower pays up to a maximum of four percent.[26]

Loan principal repayments are deferred while the borrower is going to college full time. Deferments up to three years are permitted while the borrower serves in the Armed Forces, Peace Corps or other full time volunteer programs under Title I of the Domestic Volunteer Services Act of 1973, for example, VISTA - Volunteers in Service to America. The time period involved in the deferment is not included in the minimum and maximum repayment periods as stated previously. During the deferment period interest will accrue on the loan. Either the borrower or the Federal Government or the State Government under the interest benefits policy pays the interest to the lender. A one time deferment is provided for not more than one year for a borrower who is looking for full time employment but is unable to find it.[27]

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[26] Federally Insured Student Loan Program, Manual for Lenders, p. VI.2.3.3.

The program also provides that the loan will be paid by NYSHESC and the Federal Government if a borrower dies or becomes permanently disabled on a 20:80 percent ratio. Therefore, the lender will not be able to or need to collect from the borrower's estate. Both governments will also repay the loan if such a loan is discharged by the borrower in bankruptcy proceedings.

In a study prepared as part of the Report of the Select Committee on Higher Education in the State of New York in 1974, it was noted that the average costs of tuition and non-tuition costs of higher education differ by sector of student. The loans received by private college students cover a lower proportion of costs as compared to loans taken out by State University students. Borrowing is lower at community colleges than four year colleges because community college students usually finance their education through a job. It was stated in this report that 55 percent of private college students borrow and the average loan is about $1,200. State University students borrow and the average loan is about $1,200. State University students borrow an average of $1,000 and 45 percent of them borrow. Twenty-four percent of community college students borrow and the average loan is $900. By the time four year students reach their senior year their cumulative indebtedness is large. At private institutions the average cumulative debt is $3,200 and at the State University it is $2,500. At community colleges it is $1,300 according to 1974 sources.

The New York State Higher Education Services Corporation issued the following information in the *Annual Educational Summary - New York State - 1975-1976* for the Guaranteed Student Loan Program. This is the latest available information from NYSHESC.

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27 Student Financial Aid Handbook, p. 9-5.

STUDENT LOAN PROGRAM ADMINISTERED BY THE NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION

1973-74 to 1975-76

	1973-74	1974-75	1975-76
Number of students receiving loans for the first time during the year	53,470	64,310	71,868
Total number of loans guaranteed during the year	116,741	130,604	144,895
Number of loans refused	5,242	7,615	1,016
Average loan guaranteed	$1,251	$1,366	$1,433
Total amount guaranteed	$146,137,045	$178,433,142	$207,603,280

CUMULATIVE STATISTICS ON GUARANTEED STUDENT LOANS OUTSTANDING

Dates	Number of Student Borrowers	Average Annual Amount of Loans	Amount Outstanding
As of 3/74	390,397	$1,252	$ 761,113,412
As of 3/75	402,170	1,366	815,230,083
As of 3/76	423,303	1,433	887,161,227
As of 3/77	452,889	1,446	1,004,418,826

By 1974-75 the various guaranteed student loan lending institutions had granted over 1.4 million loans to more than 700,000 students with the total amount guaranteed by NYSHESC exceeding $1.4 billion. In 1974-75 the corporation guaranteed 130,604 new loans made by the lending institutions in the amount of $178 million. The corporation's annual report for 1974-75 shows that the latest three year period new student loans were negotiated in the amount of $487 million amounting to 34 percent of the corporation's total loans guaranteed in its entire eighteen year history. The average loan has reached a peak of $1,400. At the end of 1974-75 $600 million of the cumulative total of loans made had been repaid to the lending institutions. Outstanding loans amounted to $815 million. Both the annual number of loans being made and the total dollar volume indicate that this source of funds for the financing of higher education costs is very important to New York State students.[28]

The state annually appropriates funds for the operating costs of the corporation and to meet the costs of interest subsidies and loan defaults. The appropriation for 1974-75 was $7.6 million. Of this $3.4 million was for administration, $2.5 million was for interest subsidies and defaults. The remainder of $1.7 was appropriated following action by the 1974 legislature approving additional intrest subsidies for loans taken by students whose adjusted family income is more than $25,000.[29]

Information concerning how many students in New York State received loans through the guaranteed student loan program by type of institution is unavailable. However, a table with characteristics of recipients throughout the United States has been published and follows. It is entitled Characteristics of Students Receiving Aid Under the Guaranteed Student Loan Program.[30] Using this table along with the information about the student population in the higher education system of New York State of 922,000, an extrapolated table for New York State can be presented.

PUBLIC INSTITUTIONS

	Total	Two Year	Four Year	University
% from table	56%	14%	40%	46%
Extrapolated N.Y. Statistics:				
# of students	516,264	72,277	206,506	237,481

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[28] The Higher Educational System of New York State, p. 67.

[29] Ibid.

[30] Atelsek, Table 5.

PRIVATE INSTITUTIONS

	Total	Two Year	Four Year	University
% from table	44%	4%	60%	36%
Extrapolated N.Y. Statistics:				
# of students	405,636	16,225	243,382	146,029

REGENTS' SCHOLARSHIPS

New York State finances a competitive scholarship program known as Regents College Scholarships. They derive their name from the fact that they are administered under the authority of the Board of Regents of the University of the State of New York. High school students who plan to enroll full time in an approved undergraduate college program in New York State only are eligible to take the Regents Scholarships and College Qualifying Tests if they meet the following criteria: the candidate must be a legal resident of New York State for at least one year prior to the effective date of the award; must be attending a secondary school at the time of the exam; must be graduating from high school within six years of enrollment and by the end of the school year in which the examination is taken and not have previously competed for a Regents College Scholarship. The candidate must also be a U. S. citizen or have the intent of applying for citizenship.[31]

Under a new law enacted by the New York State Legislature, Regents scholarships will be based on scores from either the SAT (Scholastic Aptitude Test) or the ACT (American College Test). Candidates for scholarships currently have the option of submitting their scores from either the Regents scholarship and College Qualifying Test or the SAT or ACT prior to November 30, 1977. If a candidate takes both the SAT and ACT (s)he will be considered on the basis of the highest score from the tests.[32] Governor Carey proposed the change in procedure in January, 1977 in order to save administrative costs for the State. He was criticized at the time by Ewald B. Nyquist, who at the time was the State Education Commissioner. Nyquist told the Board of Regents that there was a vast difference between the SAT which is administered by the Educational Testing Service for the College

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[31] Report of the Select Committee on Higher Education, p. 82.

[32] "Regents Scholarships," p. 6.

Characteristics of Students Receiving Aid Under the Guaranteed Student Loan (GSL) Program, by Type and Control of Institution, 1976-77

(In Percentages)

Characteristics	Total Institutions	Public Institutions				Private Institutions			
		Total	Two-year	Four-year	University	Total	Two-year	Four-year	University
Number of recipients	695,000	389,000	58,000	157,000	177,000	306,000	12,000	181,000	113,000
Sex									
Women	46.3	46.3	47.9	48.9	43.7	46.4	63.1	48.4	41.0
Men	53.7	53.7	52.1	51.1	56.3	53.6	36.9	51.6	59.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Racial/Ethnic Group									
Minority	17.0	16.1	18.2	14.6	16.7	18.1	11.8	16.2	21.9
Nonminority	83.0	83.9	81.8	85.4	83.3	81.9	88.2	83.8	78.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Enrollment									
Full-time	92.4	91.7	87.3	95.5	89.8	93.3	97.2	94.5	90.8
Part-time	7.6	8.3	12.7	4.5	10.2	6.7	2.8	5.5	9.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Status									
Dependent Undergraduate Family Income									
Less than $6,000	8.0	6.9	12.1	5.6	8.6	9.3	14.9	6.0	13.0
$6,000 - $7,499	5.5	5.1	6.9	5.0	4.7	6.0	7.0	6.4	5.2
$7,500 - 11,999	12.9	12.6	12.5	13.3	12.1	13.2	11.6	14.2	12.0
$12,000- 14,999	16.8	19.0	16.5	19.4	17.2	15.4	26.1	17.3	11.2
$15,000 or more	23.8	22.9	14.1	24.8	23.4	25.0	31.7	27.1	20.9
Independent Undergraduates	18.4	22.5	38.0	21.4	18.9	13.1	8.8	17.8	6.9
Graduate Students	14.6	11.0	---	10.5	16.9	17.9	--	11.4	30.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Entrance Examination Board and the Regents Scholarship Test. "The two and a half hour SAT exam is an aptitude test while the Regents test measures achievement as well as aptitude and is a better instrument for the awarding of scholarships."[33]

Beginning with the 1978-79 college year, Regents College Scholarships will be based on either the SAT or ACT. Each scholarship is in the amount of $250 per school year for a maximum of five years. If the normal college program is four years the award is only offered for four years. These scholarships are allocated to each county in the state in a ratio of the number of students residing in each county who graduated from high school during the school year preceding the date of the Regents exam to the total number of students residing in the state who graduated from high school during the same school year. But no county can receive fewer than forty scholarships, except Hamilton county, which cannot receive fewer than sixteen scholarships.[34]

The New York State Education Department issues other Regents Scholarships. They are:

Regents Nursing Scholarships
Regents Scholarships in Cornell
Regents War Veterans Scholarships
Regents Grants for Children of Deceased or
  Disabled Veterans

Both Regents Nursing Scholarships and Regents Scholarships in Cornell are currently based on the scores a candidate receives on the SAT or ACT exam. Both scholarships are subject to the same prerequisites as the above described Regents College Scholarships.

Eight hundred Regents Nursing Scholarships are awarded each year. Each scholarship entitles the recipient to an annual award of $250 for a maximum of five years, but not to exceed the normal length of the nursing program. A student is eligible if (s)he intends to enroll in a full time undergraduate program approved by the Board of Regents for training registered nurses in a college or hospital in New York State. The allocation method by county is the same for Regents Nursing Scholarships as for Regents College Scholarships.[35]

Regents Scholarships in Cornell University are offered to students who intend to enroll full time as degree candidates and have met all the requirements of the Regents College Scholarships and the requirements for admission to Cornell. There are

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[33] Buder, p. B5.

[34] Report of the Select Committee on Higher Education, p. 82.

[35] *Ibid.*, p. 94.

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sixty awards made annually, one per senatorial district. The awards range from $100 to $1,000 according to financial need. New York State appropriated a minimum of $30,000 each year for new freshmen awards. The award is renewable for a total of five years or the length of the program whichever is shorter. Recipients of the award must follow a full time program leading to an undergraduate degree in a tuition charging division of Cornell University.[36] It is possible that a scholarship belonging to a senatorial district is not claimed by a resident of that district or that there is no resident of the senatorial district entitled to the scholarship. If this happens then the balance of the remaining money is used to make awards to additional candidates in order to merit from a statewide list.[37]

In order to be eligible for a Regents War Veterans Scholarship a candidate must have been in an active status in the Armed Forces of the United States after October 1, 1961. The candidate must have been released from active duty with an honorable discharge. He must also have been a legal resident of New York State at the time of induction into military service. The basis of the award is a competitive exam usually held in the summer. The applicant must also be a citizen of the United States or filed intent to apply for citizenship. Six hundred of these awards allocated on a county basis in the same ratio of the number of legal residents in each county are awarded annually. The amount of the award is up to $350 a year, not to exceed the cost of tuition and fees. The award is renewable for a total of four years. This award is available to undergraduate students enrolled in full or part-time study at any approved college, nursing school, business school or trade school in New York State.[38]

Regents Grants for Children of Deceased or Disabled Veterans are available to students under certain conditions. No written exam is required. The student must be a legal resident of the state of New York and plan to study full time at an approved undergraduate college or in a degree program at a trade, technical or business school. The prospective student must demonstrate minimum academic qualifications to successfully complete the intended program of study. In order to be eligible, the student must be a child of a veteran of the Armed Forces of the United States who either died or has a current service connected disability of at least 50 percent during certain periods. These periods are World Wars I and II, the Korean War and the Vietnam War. The parent must have been a legal resident of New

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[36] _Ibid._, p. 83.

[37] _Ibid._, p. 84.

[38] School Guide, p. 11.

York State when he or she entered the military service or when he or she died or incurred the disability. The student fills out an application for this scholarship and forwards it to the New York State Higher Education Services Corporation with the necessary documents of proof. The award is $450 a year for a maximum of five years, depending on the normal length of the college program. Awards are made to all eligible applicants. This scholarship may be held in conjunction with a Regents College Scholarship or a Regents Nursing Scholarship.[39]

The latest available information from the Regents Examination and Scholarship Center of the New York State Higher Education Services Corporation on the number of first time awards issued is for fiscal year 1975-1976. They are:

19,398	Regents College Scholarships of $250 each.
800	Regents Nursing Scholarships of $250 each.
60	Regents Scholarships in Cornell for $100 to $1,000 each.
600	Regents War Veterans Scholarships of $350 each.
2,938	Regents Child of Veteran Awards of $450 each.
23,796	Total First Time Issues

The table below lists the type of and number of Regents Scholarships outstanding by year.

Type of Award	1973-74	1974-75	1975-76
Regents College Scholarships	65,125	64,490	67,723
Regents Nursing Scholarships	1,698	1,833	2,003
Regents War Veterans Scholarships	1,277	1,204	753
Regents Child of Veteran Awards	3,386	3,446	2,938
	71,486	70,963	73,417

SOURCE: Annual Educational Summary - New York State 1975-76, p. 52.

The following is a breakdown of dollar amounts of Regents Scholarships awarded to students in different institutions in the state of New York for fiscal years 1974 through 1976. Also offered is a measured decrease in the dollar amounts from 1974 to 1976. The amounts listed are in millions of dollars.[40]

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[39] Report of the Select Committee on Higher Education, p. 93.

Regents Scholarships	73-74	74-75	75-76	Increase FY 74-76 Amount	Increase FY 74-76 Percent
Private Institutions	$15.4	$14.3	$13.7	$(1.7)	(11%)
SUNY-Senior Colleges	12.2	11.4	10.2	(2.0)	(16%)
SUNY-Community Colleges	1.3	1.0	.9	(0.4)	(31%)
CUNY-Senior Colleges	2.5	1.6	1.5	(1.0)	(40%)
CUNY-Community Colleges	.1	.1	.1	-	-
Total	$31.5	$28.4	$26.4	$(5.1)	(16%)

SOURCE: Postsecondary Education in Transition. The Regents 1974 Progress Report on Education Beyond High School.

One quarter of state resident full time undergraduates enrolled in State University institutions are scholarship recipients. For independent institutions, the percentage of scholarship holders is 19 percent of state resident undergraduates. The City University of New York (including its community colleges) has had only five percent to seven percent of its undergraduates holding Regents Scholarships. Less than eight percent of those enrolled in senior institutions are scholarship holders and less than one percent of community college students hold Regents Scholarships.[41]

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[40] Postsecondary Education in Transition, p. G-36.

[41] The Higher Education System of New York State, p. 52.

EDITOR'S ADDENDUM

Since research was completed for this chapter, additional data have become available.

For 1977-78, total State and Territorial spending for "student aid" was $737,004,000, of which $241,400,000 was New York's share. Four hundred twenty two thousand local students received aid. Seventy-two thousand were Regents Scholarship winners, receiving $21,400,000.

Fully a third of a million (350,000) persons received tuition assistance in some form. Valued at $220,000,000.

The next academic year, 1978-79, sees 241,400 beneficiaries across the State, of whom 20,000 were estimated to be Regents Scholarship winners. This represents a drop of 6.5 percent in Regents Scholarship awards in dollar value, although the estimated number of recipients remained at 72,000.

Overall expenditures rose by $11,500,000 dollars from 1977-78 to 1978-79 while the total number of beneficiaries increased only by 1,000. It appears that there was a policy change, favoring tuition assistance over Regents Scholarships, since Regents money declined by $1,400,000, while assistance funds grew by $12,900,000 over an increase of 1,000 student recipients.

Nationwide, comparable data show an overall increase of $52,214,000 from $737,004,000 to $789.218,000 (7.1 percent). New York's overall expenditures grew from $241,400,000 to $252,900,000 or $11,500,000 (4.8 percent).

Projected figures for 1979-80 are, of course, less reliable, but it appears that New York will further increase overall student aid spending by $21,600,000 to $274,500,000, an 8.5 percent increase, compared with the nationwide increment of 8.0 percent. In New York, it appears that the apparent policy choice of de-emphasizing the Regents Scholarships will continue to have effect: 600 fewer (19,400) are anticipated. $22,200,000 more will be appropriated for tuition assistance affecting 4,000 more students.

Combining all forms of state aid to students in New York, average awards can be determined, with all of the attendant apparent accuracy averages entail. In 1977-78, the mean award was $572, rising to $598 this year, and projected to be $644 next year.

Many will feel a local pride, in the fact that New York made over 33 percent of the awards nationwide, expending over 32 percent of the combined State/Territorial funds. In this regard, New York clearly outstrips any other jurisdiction: Pennsylvania is second with 9.9 percent of the awards and 9.5 percent of the funds.

It appears clear that a distinctive and deliberate state policy is operating in New York with an apparent great effect, both on local students and institutions of higher education.

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CHAPTER 10

PLANNING, COOPERATION, AND RESOURCE ALLOCATION

Felix Lettieri

In New York State, institutes for higher education can be categorized into three main groups - schools within the State University of N.Y. (SUNY) system, those part of the City University of N.Y. (CUNY) system and all of the independent schools. As of June, 1976, 107 out of the 132 institutions within the independent sector are members of the Commission on Independent Colleges and Universities (CICU), representing 98 percent of the student enrollment within the independent sector.[1] Community colleges in New York State receive representation either through the SUNY or CUNY systems, depending upon the geographical location of the schools. The NYS Board of Regents acts as an umbrella organization, with educational authority encompassing all types of institutions - two-year, four-year, public and private, as well as libraries and museums. Essentially a good foundation exists upon which a well-coordinated, effective and efficient statewide planning system can be erected, as well as highly developed planning centers at the local level (community colleges). To date, few observers claim that New York State has achieved such worthwhile goals.

The concept of statewide planning has been gathering impetus in recent years. Due to increased costs from inflation and the aftermath of the "growth" decade, and reduced income from students whose numbers have begun to level off and decrease, a greater emphasis is being placed on financing institutes of higher learning. Not only are the public postsecondary schools looking more toward the local, state and federal governments for increased assistance, but the independent schools as well are requesting greater aid. As stated by Harold L. Wattel, editor of "Planning in Higher Education":

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[1] These numbers were taken from a CICU report, "A Capacity for Innovation: 1976 Master Plan of the Commission on Independent Colleges and Universities, New York," (June, 1976), p. 14.

> Both private and public higher education have been searching for financial answers; better planning may be one of the answers.[2]

and

> For those institutions whose lives extend into the future, who have some responsibility for using limited resources effectively and efficiently and who depend upon some public image of honesty and rationality, the only choice would seem to be between good, better, or best planning.[3]

To develop any rational statewide planning effort, all of the participants must be clearly identified and must take an active interest. Presently, both SUNY and CUNY have developed the basic fundamentals to represent the majority of their particular constituents, and CICU apparently has done the same within the independent sector. Yet, certain schools may still lack proper representation, such as independent two-year institutions, some vocational/occupational schools and some "liberal" schools. Also, with community colleges differing in terms of length of student years per course of studies (many being two-year institutions) as well as sponsorship and student needs, such schools may not have the proper representation in the SUNY or CUNY systems. Little data was found indicating the degree of representation for such schools. Since these institutions form a large part of postsecondary education within N. Y. State, their collective interests need to be better organized and more effectively presented. Otherwise, any state plan would not truly represent the entire postsecondary system, and its effectiveness would diminish accordingly.

In order for any planning system to be effective, it must contain certain vital parts. Among planning necessities are the need to define the goals for which the plans are made, to set standards to measure progress towards, or digression from, these goals, to insure a proper flow of information (communication) to aid in progress measurement and goal selection, to disseminate and analyze the information obtained, and to take corrective action (feedback) when indicated. Another important factor in the planning system is budgeting, the need to allocate resources efficiently in order to effectively maximize the corrective action taken throughout the entire system.

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[2] Harold L. Wattel, "Planning in Higher Education," Hofstra University Yearbook of Business, ed. Harold L. Wattel, Series II, Vol. 1, (1975), p. 17.

[3] Ibid., p. 18.

In the context of state planning for higher education, setting standards for measurement purposes entails having the public and private universities become more accountable of their resource usage to the state and public in terms of productivity and measurable outcome. But the concept of accountability is received with mixed reviews. Writing in Improving Statewide Planning, S. V. Martorana states that a shift in gathering information from management ability to accountability in public institutions "would not only be better received by the operating institutions, but be more directly responsive to the real concerns of taxpayers and much more easy to defend, explain, and justify to all concerned."[4] According to Wattel, both public and independent universities should accept the concept of accountability and control.

> With outside funding, the need for accountability and its precursor, control, is assumed. Unfortunately, there are those in education who feel that the converse is true, vis., with internal funding, the need for accountability and its precursor, control, can be dispensed with. In the past, the latter may have been true; in the future, it will be less true.[5]

On the other hand, in his 1975 article "Resource Allocation as a Vehicle for Change," R. Lisensky fears that, in an effort to be efficient and effective, everything will be put into impersonal units. "Accountability is the catchword of the day, followed by efficiency. We must constantly be reminded that the process of measuring often superimposes goals we did not want to achieve."[6]

Discussing the concepts of statewide planning and coordination of educational institutions and their control and governance, S. V. Martorana cautions "These two types of functions need to be understood and sharply separated by policy boards and operating staffs at the state level or serious dysfunctions will result."[7] While establishing standards and practicing control are necessary parts of an effective planning system, the sensitive nature of the educational setting makes such tasks difficult. Again quoting from Wattel,

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[4] S. V. Martorana, "Six Factors Affecting Statewide Planning," Improving Statewide Planning, eds. L. W. Bender & J. L. Wattenberger (San Francisco: Jossey-Bass, Inc., 1974), p. 8.

[5] Wattel, op. cit., p. 66.

[6] Robert Lisensky, "Resource Allocation as a Vehicle for Change," Liberal Education, Vol. 61, No. 2 (1975), p. 198.

> Some stages of planning impinge on the sensitive nature of the intellectual processes as ongoing on campuses; both teaching and research have their strong individual and private aspects ...But the sensitive nature of one of the stages of planning ought not to foreclose a consideration of planning.[8]

Improving information flow has become a concern for both the Board of Regents and CICU. In the 1976 Regents Master Plan, it is stated,

> The Education Department is now engaged in a project to encourage institutions to adopt the Information Exchange Procedures (IEP)...The IEP system includes a set of definitions and procedures for handling data on faculty, personnel, students, and accounts... Its use is encouraged to provide greater uniformity of procedures that will permit better comparisons of costs among different institutions or types of institutions.[9]

In a similar vein, the CICU 1976 Master Plan recommends that:

> The State Education Department should open its data bank to the colleges and universities of New York for their planning purposes. Data from the master plan process and from Higher Education General Information Survey/Higher Education System (HEGIS/HEDS) should be made available.[10]

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[7] Martorana, op. cit., p. 15.

[8] Wattel, op. cit., p. 68.

[9] "The Regents Statewide Plan for the Development of Postsecondary Education," (Office of the Regents, State University of New York, Albany, November, 1976), p. 108.

[10] "A Capacity for Innovation 1976 Master Plan for CICU, New York", (June, 1976), p. 2.

Several members of CICU went on to say that uniform standards of financial reporting should be adopted so that complete costs of education are reported in such a way as to be comparable between government sponsored institutions and independent ones, as well as among universities within the independent sector.

On the matter of information dissemination and analyzation, the Regents Board states:

> There is a need for improving procedures for collecting, analyzing, and interpreting information about postsecondary education in two areas: information compilation and dissemination, and analytical studies and quantitative models...Such information systems should be complemented by a research/analytical capability, or else valuable resources will have been wasted collecting unused data.[11]

The State Education Department is also experimenting with a model to aid policy makers in evaluating the impact of policy alternatives over a five to seven year period.[12] Hopefully, through the use of such a model, a determination can be made as to the impact of resource allocation and tuition policies on enrollments, institutional revenues and other factors.

The New York State Board of Regents also mentions the role of budgeting in statewide planning; as it states in its 1976 Plan, "Budgeting is a resource allocation function."[13] For State-operated colleges and universities, budgeting decisions are made by the Governor and the Legislature. The City University operating budget has been a municipal function of New York City, taking into account appropriations proposed by the Governor and approved by the Legislature. Sponsoring local governments (usually counties) determine the budgets for the community colleges. For institutions within the independent sector, boards of trustees determine their operating budgets, but they also take into account State aid appropriations. Through this allocation of State aid paid directly to the institutions, and by the level and distribution of student aid, the State can directly influence the financial well-being of independent institutions.

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[11] "The Regents Statewide Plan for the Development of Postsecondary Education," (November, 1976), p. 109.

[12] Ibid., p. 109. The model is entitled Policy Analysis and Planning Model. Aside from what is stated here, there is nothing else mentioned on the potentials or costs of this model.

[13] Ibid., p. 75.

Presently, New York State has made several attempts at organizing its postsecondary educational institutions into a cohesively planned unit. The existence of the N.Y.S. Board of Regents bodes well for ultimate success, yet progress to date appears to have come slowly. Part of the problem could be the existence of several planning agencies lacking adequate leadership. For example, the N.Y.S. Economic Development Board has divided the state into 13 planning and development regions; the Board of Regents consolidated these areas somewhat to establish eight regents regions for postsecondary education; and, as of 1972, the State University system established four formal coordinating areas.

There was little data describing the activities of the Economic Development Board's 13 regions, or the Regents' 8 regions, but, with SUNY's 4 regions, these three organizations at least have the potential of overlapping and duplicating efforts. Along with CUNY and CICU, all of these organizations need an active and effective leader to coordinate their operations. By its own admission, "The Board of Regents coordinates and supervises all levels of education in New York State."[14] Yet, as the CICU report is quick to point out, "The Regents should more strongly assert their leadership of the higher educational community."[15] As stated earlier, the potential for effective statewide planning exists in New York State, with the Board of Regents, SUNY, CUNY, and CICU. Unfortunately these groups have not yet attained that potential, lacking cohesiveness and strong leadership.

While little data was discovered on the activities of the eight Regents' regions, the 1976 Regents Plan states its views quite clearly:

> On planning: "Statewide planning is the primary responsibility of the Regents and is accomplished through development of the Statewide Plan, the biennial Progress Report, and periodic amendments to the Statewide Plan."[16]
>
> On budgeting: (see footnote #11).
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> On governance: "Governance is the responsibility of institutional trustees subject to overall policies adopted through the planning process and implemented through the budgeting process."[17]

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[14] Ibid., p. 76.

[15] "A Capacity for Innovation 1976 Master Plan for CICU, New York," (June, 1976), p. 1.

[16] "The Regents Statewide Plan for the Development of Postsecondary Education," (November, 1976), p. 73.

[17] Ibid., p. 75.

On accountability: "The Regents and the Commissioner of Education have responsibility to ensure that all educational programs offered in the State meet minimum standards of quality and are consistent with the needs identified in the Statewide Plan."[18]

On coordination: (see footnote #14).

On control: State control is based upon workload formulas, cost standards and student/faculty ratios. But methods of enhancing quality are absent. Quality cannot be mandated by a statewide formula; this is the responsibility of governing boards, institutions and individual departments."[19]

Although the Board of Regents states its positions on these matters clearly, there is little evidence that it has been active in securing these positions. For example, in its 1976 Plan, the Regents states that an effective budgetary process requires evaluation of the objectives and needs of the various sectors (SUNY, CUNY, and CICU). While the Regents does undertake this process, only the CICU organization (interestingly enough) presents its recommendations at an early enough stage in the budgetary process. Unless the Regents can coordinate the timing of the SUNY, CUNY, and CICU budgets, an effective budgetary process cannot be achieved. More data is also needed to evaluate the entire Regents statewide planning effort, preferably from an investigator other than the Board of Regents itself.

The SUNY plan of four coordinating regions has yet to show any significant results among its members, either. In a January, 1977 report entitled "Regionalism and the State University of New York, 1972-76," on the activities of the four regions, only one of the four was labeled as being "reasonably active in promoting regionalism with regular meetings, active groups..."[20] A second coordinating area showed some signs of activity, which declined over the years, while the other two exhibited virtually no activity at all. The results of this attempt at coordination, at least for the one active group, have been an active dialogue among university presidents, who meet regularly, as do vice-presidents and functional groups, such as librarians. The reported costs of regionalism are understandably low, since the combined activities of the four coordinating regions have been extremely limited. The total direct costs reported have been measured between $10,000 and $20,000 per year. Indirect costs, resulting from staff assistance and report presentations, have been estimated at around $15,000 per year.[21] Because of the low volume of activity, however, these figures should not be considered representative of the actual costs generated by a complete and active coordination effort.

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[18] Ibid., p. 76.

[19] Ibid., p. 78.

[20] "Regionalism and the State University of New York, 1972-76," (January, 1977), p. 1.

It should also be noted, though, that the activities of coordination (although low) also yielded savings in certain areas.

> The cross registration activities are a particularly interesting example of costs and benefits. Cross registration has been allowed at the undergraduate level only between State University campuses which have received explicit approval for such cross registration and nearby independent colleges. In 1974-75, for example, approvals were given to 23 State University campuses, resulting in 885 student enrollees and 1180 course registrations to and from State University with independent colleges. We estimate that the cost of maintaining the data on cross registration is $1350 per year. This yields a marginal cost of $1.53 per student involved, and $1.14 per credit hour generated and can be compared with a figure of $2516, which we estimate to be the total 'savings' to State University of the excess of registrations out versus registrations in.[22]

Thus, it appears likely that important benefits in terms of cost reduction could be realized through an effective coordinating effort.

The goals of the SUNY planning effort were stated in the January, 1977 report on the regionalism effort:

> The 1972 Master Plan said about regionalism:
>
> '...The regional efforts of the University will focus on three basic goals: (1) more efficient and effective use of educational resources, (2) a better pattern of student admission and mobility, and (3) improved public service to meet

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[21] Ibid., p. 4.

[22] Ibid., p. 5.

> community and regional needs. Councils composed of all campus Presidents in a region will be responsible for determining overall regional policy and will give general impetus to cooperative endeavors.'[23]

These three goals are certainly commendable ones, and summarize well the reasons for the establishment of statewide plans between and within SUNY, CUNY, and CICU. Unfortunately, this 1977 report on SUNY planning does not indicate the establishment of any standards for measuring progress towards these goals, nor is there any evidence of an information flow from and to SUNY and these regions, nor between the regions themselves. Without standards or information, plus the fact that SUNY does not have direct control, the lack of positive leadership over the groups' activities is understandable. This deficiency in the basic elements of planning is, undoubtedly, a partial explanation at least for the lack of success, to this point, of SUNY's regionalism effort. Another possible explanation can be found in the results of a survey included in the 1977 report.

In addition to critiquing the past achievements of the four coordinating areas, the report also published the results of a survey made among all state-operated campuses and community colleges.[24] Forty-seven useable responses were received, with a reasonably equal number of respondents reporting from each area. Some of the general conclusions derived from the study are first, some form of interinstitutional dialogue is endorsed; second, coordinating areas are preferred over interinstitutional cooperation, which, in turn, is preferred over consortial contacts; third, those schools involved in regional activities are more supportive of regionalism efforts than those that are not so involved; and fourth, regionalism is generally supported throughout the State University of New York, but not to the point where campuses would be willing to devote resources to regionalism which might otherwise be spent on their own campus activities.

These conclusions seem to point out an underlying cause for the lack of success so far experienced under the SUNY plan - the lack of support from area participants. While the respondents favor some sort of coordinating effort, they are not willing to work actively towards achieving a successful plan, nor do they desire to pool their resources together for the benefit of all. Apparently, the freedom obtained from being an independent entity, even though they are public institutions, is more appealing to

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23 Ibid., p. 2.

24 Ibid., The results of the survey are contained in Attachment A.

each university than the possible benefits that could be realized from a coordinated effort. It is interesting to note, however, that those institutions participating in regional activities are more sympathetic to the concept of regionalism than those not participating. Perhaps the benefits arising from coordination do exceed the loss of freedom, or the educational institutions need to be better educated to the concept of coordination.

This struggle between the state and the universities, in this case, between SUNY's regionalism effort and the State-operated universities, is not a new one, but its importance is growing as schools look more toward the state for financial aid and guidance, even the independent institutions. According to Stephen K. Bailey, in his article "Education and the State", the state can be viewed as both the academic adversary, with its laws, rules and regulations, as well as its benefactor, with its tax exemptions, appropriations for student loans, support for basic and applied research and legitimization through chartering and licensing. As an indication of the magnitude of state aid, public spending in the mid-fifties was $2 billion; in 1974, it increased to $16 billion.[25] With such financial benefits, which is becoming increasingly more important, the tension developed in viewing the state as adversary and benefactor is maintained; while accepting state aid, the university must strive to remain as independent as possible. This is also in the best interests of the state, for the academic institutions are its best resource, providing skilled training for its future personnel. For their financial well-being, it is imperative that the universities help coordinating efforts succeed. Obviously, this puts the academic institutions in a precarious position, but one which must be faced.

Along with the universities' reluctance toward coordination, the state itself appears to be less than supportive over the concept, as far as the SUNY plan is concerned. As stated in "Regionalism and the State University of New York," "It's significant that the 1976 Master Plan had no section on regionalism at all."[26] This apparent lack of attention on the part of the Board of Regents echoes the CICU comment cited earlier on the lack of effective leadership from the Regents (see footnote #15). Without strong leadership, coupled with an absence of standards, information flow and control, the apathy demonstrated by the universities participating in the SUNY regionalism effort appears understandable.

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[25] Stephen K. Bailey, "Education and the State," Educational Record, Vol. 55, No. 1 (Winter, 1974), pp. 6-7.

[26] "Regionalism and the State University of New York, 1972-76," (January, 1977), p. 2.

Research into the topic of planning yielded little information with regard to the City University of New York system. Being responsible for all public universities and colleges within the area of New York City, including, since 1975, the community colleges located there, CUNY has a most enviable position as a potential planner - limited geographical area. With distances between colleges necessarily limited, a well-run planning effort could be quite effective. The number of institutions are also less than on a statewide basis, so that communication and organization should be easier to establish and maintain. Unfortunately, little data is available describing any planning efforts by CUNY. The Board of Regents did report in its 1976 Master Plan:

> The City University of New York... has the lowest per student operating cost and exhibits the highest rate of facilities utilization of all colleges in the State. The problems that the City University has suffered this year have resulted from the financial problems of New York City...The Board must seek to consolidate the Universities' programs and institutions in anticipation of declining enrollments. The University must also work with the independent institutions in the City to coordinate program offerings to meet the unique needs of a commuting student population.[27]

These goals of maintaining their low per student operating cost and high facilities utilization are excellent ones, and, by consolidation and coordination of programs, should be attainable. Hopefully, the expected decline of student enrollments will not catch CUNY unprepared. Again, more independent investigation is needed to evaluate the planning efforts of CUNY.

Within the independent sector, CICU stands as a promising organization capable of effectively utilizing the strength and resources of the independent institutions. As stated previously (see footnote #1), CICU represents 81 percent of all independent universities and colleges, and 98 percent of all the students attending schools within the independent sector. Its 1976 report entitled "A Capacity for Innovation" lists the following as its goals:

> to seek for a system of "unsurpassed academic quality" with the capability of improvement to meet the changing needs of its constituents;

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[27] "The Regents Statewide Plan for the Development of Postsecondary Education," (November, 1976), p. 79.

> to seek a system that provides "genuine access" for all who desire education;
>
> to require a free system, unencumbered by "barriers of race, age, sex or economic circumstance";
>
> to seek a system "accountable in that it must require no more of the State's resources than is necessary to perform its mission," while yielding the maximum return for that investment.[28]

While these goals of high academic quality, accessibility, freedom of choice, and accountability are most desirable, they are too vague to attain. Measureable standards reflecting these goals should be established. From its 1976 report, there appears to be excellent communications between CICU and its members. An open dialogue also seems established between CICU and the Board of Regents. Nevertheless, more data is needed to better evaluate the CICU initiatives. Also lacking is an estimate of the costs to CICU, and to all planning organizations, in terms of communication and organization, and the financial burden of preparing reports for the Board of Regents. As an indication of the costs to CICU, the 1975-76 State Legislature appropriated $40,000 to the CICU organization for assistance to the State Education Department in preparing information for the 1976 Regents Master Plan.[29]

On the community level, no serious effort at planning seems to have taken place. As stated previously, community colleges differ from the other public and private institutions in the normal student programs (most are two-year schools), as well as in students and sponsor. While these schools are represented either through SUNY or CUNY, their needs may justify a planning organization of their own. Presently, the basic formula for sharing costs incurred by community colleges in New York State is one-third each by students, sponsor (usually the county) and state, with capital costs being split equally between the local sponsor and the State. Recently enacted legislation permits the sponsor of a community college to finance the entire cost of capital projects. The State would then re-imburse the sponsor for half of the annual debt service.[30] According to Martorana and Nespoli in their 1977 report, "State Legislation Relating to Community and Junior Colleges, 1976", this act is an attempt to permit the sponsor to obtain the necessary financing of projects in light of the Dormitory Authority's inability to finance the State's share.

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[28] "A Capacity for Innovation 1976 Master Plan of CICU, New York," (June, 1976). These goals, including the direct quotes, were taken from page 14 of this report.

[29] "The Regents Statewide Plan for the Development of Postsecondary Education," (November, 1976), p. C-2. (Attachment C)

[30] S. V. Martorana & L. A. Nespoli, "State Legislation Relating to Community and Junior Colleges, 1976," (February, 1977), p. 72.

A comparison of New York State aid to its community colleges and that of other states is given in Table 1, in total appropriations ($) and Full-Time-Equivalent (FTE) students. These figures were obtained from "State Legislation Relating to Community and Junior Colleges, 1976" by Martorana and Nespoli.[31] In an effort to make a more meaningful comparison, the columns "$/FTE" for 1975-1976 and 1976-1977 were added to the data presented in the Martorana report, along with the "% Change, $/FTE" column. As the data indicates, New York State, compared to the other states as the sample of 17, is average in its appropriations on a per FTE student basis; in 1975-76, its $756/FTE student was ninth, while its 1976-77 figure of $804/FTE student was eighth of seventeen. In both periods, New York had the second highest FTE enrollment and the third highest total appropriation.

In the conclusions of their 1977 report, Martorana and Nespoli mention a change in the legislative outlook.

> Institutional growth and expansion is no longer a priority in state legislatures; and, no doubt, rightfully so. The possibility of increasing services and expanding faculties seems remote for most states, as many are finding it difficult even to meet their commitment to existing services.[32]

This sentiment has been echoed by more than a few observers of higher education in New York State. In the past, due to the rapid growth of post-secondary education, especially in the sixties, the only planning attempt was with regard to providing large enough facilities and faculty to properly handle the number of students. As the eighties approach, and with them a decrease in student enrollment, more effective planning must take place. In their 1974 book Planning Colleges for the Community, Dorothy Knoell and Charles McIntyre stress that all community planning must start from a foundation of explicitly stated major themes, articulated as a fundamental philosophy. Among the "themes" they suggest are the following:

> The basic nature of community college planning for the next several decades should switch from the facilities

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[31] Ibid., p. 19.

[32] Ibid., p. 52.

TABLE 1

General Appropriations for Current Operations of Community/ Junior Colleges & FTE Enrollment for 17 States 1975-76

State	Appropriation ($)	% Change	FTE	% Change	$/FTE
Alabama	28,437,100	-	42,295	-	672
Arizona	29,635,610	18.7	53,408	7.0	555
Idaho	2,479,200	-	2,250	-	1101
Illinois	97,293,165	7.7	169,920	-	573
Kentucky	11,609,100	-	11,500		1009
Massachusetts	38,915,485	-	29,441	-	1322
Mississippi	20,235,400	30.5	31,400	17.6	644
Missouri	18,565,729	23.1	37,102	22.3	500
Nevada	5,796,090	32.6	4,727	2.4	1226
New Jersey	31,575,000	-	67,698	-	466
New York	88,900,000	-	117,522	-	756
North Carolina	110,663,386	1.1	104,523	8.4	1059
Pennsylvania	29,624,753	-	52,883	-	560
Rhode Island	9,284,067	-	5,500	-	1688
South Carolina	23,700,000	-	29,400	-	806
Tennessee	17,852,000	20.4	16,877	37.7	1058
Wisconsin	34,512,900	-	57,633[a]	9.6	656

[a] Estimated

TABLE 1
(Continued)

General Appropriations for Current Operations of Community/ Junior Colleges & FTE Enrollment for 17 States
1976-77

State	Appropriation ($)	% Change	FTE	% Change	$/FTE	Change
Alabama	29,000,000[a]	2.0	44,000[a]	4.0	659	-1.9
Arizona	30,410,688	2.6	55,095	3.2	552	-0.5
Idaho	2,788,100	12.5	2,475[a]	10.0	1126	2.3
Illinois	111,137,234	14.2	176,723[a]	4.0	629	9.8
Kentucky	13,358,353	15.1	12,075	5.0	1106	9.6
Massachusetts	41,041,170	5.5	29,441[a]	0.0	1394	5.5
Mississippi	20,380,769	0.7	33,280[a]	6.0	612	-5.0
Missouri	26,045,851	40.3	47,025[a]	26.7	553	10.7
Nevada	6,885,059	18.8	5,479	15.9	1257	2.5
New Jersey	33,877,200	7.3	68,500	1.2	495	6.2
New York	93,950,000	5.7	116,820	-0.6	804	6.3
North Carolina	127,037,823	14.8	114,687	9.7	1107	4.5
Pennsylvania	32,531,892	9.8	58,257	10.2	558	-0.3
Rhode Island	12,470,576	34.3	6,000[a]	9.1	2078	23.1
South Carolina	24,000,000	1.3	36,000	22.4	667	-17.3
Tennessee	21,879,000	22.6	16,780	-0.6	1304	23.3
Wisconsin	38,515,200	11.6	56,690[a]	7.7	679	3.5

[a] Estimated

> emphasis of the sixties to an emphasis on increasing access.[33]

and

> To be effective, community college planning must be comprehensive; academic, fiscal, and physical planning must be conducted together, and federal, state and local - institutional planning must be integrated appropriately.[34]

By implementing the first theme, the decreasing student population trend might be averted. The second idea sums up well the necessary attitude that should be taken in order to improve not only community college planning, but also statewide planning. In this way, one of the more significant aspects of any planning system, that of resource allocation, would be better addressed.

Declining student enrollment, coupled with inflated costs, should not only serve to stimulate legislative leaders towards improved regional, state and local planning efforts, but it should also serve to motivate educational leaders towards greater cooperation among institutions of higher learning. Through improved planning and interinstitutional cooperation, better allocation of resources can be realized, including more efficient and economic use of faculties and facilities, as well as expanded curriculums for students. Across the state there are some schools forced to expand in an attempt to improve their course selections and attract more students, while other schools are forced to close down buildings and lay-off faculty, or merge with other schools.

> Since 1975 there have been thirty-one independent institutions of higher education in New York that have either closed their doors or have merged with other institutions...Many were once prosperous and of some reknown, such as Finch College, Mills College of Education, and Notre Dame College.[35]

Where it is feasible, schools in such situations would do well to combine their resources - students could be exchanged between campuses, thereby expanding their education while utilizing the faculties and facilities more fully.

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[33] Dorothy Knoell & Charles McIntyre, Planning Colleges for the Community (San Francisco: Jossey-Bass, Inc., 1974), p. xiii.

[34] Ibid., p. xvi.

[35] "A Capacity for Innovation 1976 Master Plan of CICU New York," (June, 1976), p. 13.

An example of a successful interinstitutional cooperative program was reported by Martorana in "Cooperative Projects among Colleges and Universities," published in 1961. For five years, from 1955 to 1960, Wells College, a small liberal arts school, established an agreement with Cornell University, both of New York State, to provide course offerings in teacher preparation. Wells needed several of the necessary courses for certification by the State, courses Wells felt unable to offer, hence the cooperatively planned program. A director for the program was accountable to both institutions and was responsible for all arrangements pertaining to the program. No financial data was given as to the cost of the program to Wells, or the savings, if any, realized from the effort, or the benefits obtained by Cornell from the program. The article did state, however, that

> In its initial stages of development, needed changes in the program were noted and instituted. The cooperative nature of the undertaking proved to be the real value of the program.[36]

The cooperative arrangement was terminated in 1960 after Wells established its own teacher training program. This was considered both a desirable and hoped for result of the program.

The 1976 CICU report, "A Capacity for Innovation" also cites over 30 present day examples of interinstitutional cooperation; for example, Manhattan College and the College of Mount St. Vincent, both located in the Bronx, have a very extensive interchange of academic programs; and Pace University rents 140 dormitory accomodations at Briarcliff College.[37] Unfortunately, no financial data is given on the costs and benefits of these programs to the institutions involved. According to the CICU report, most of the independent universities and colleges engage in some form of interinstitutional cooperation.

Also mentioned in the 1976 CICU report is the recognition by the Regents of three regional advisory councils in New York City, Rochester and Northeastern areas, with the public and private institutions in these areas being nominal participants. Other such councils also exist across the state. While no financial data is given on these councils, CICU does note two major problems: "Structure and function on the one hand, and staffing and services on the other."[38] On the matter of structure, the present schools of thought favor strong councils with decision-making authority, strong councils with advisory powers only or no councils at all. On financing staffs and services, CICU recommends some state appropriations. The participants presently support the councils' activities financially.

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[36] S. V. Martorana, et al., "Cooperative Projects Among Colleges and Universities," (Washington, D.C.: Office of Education, DHEW, 1961), p. 9.

[37] "A Capacity for Innovation 1976 Master Plan of CICU New York," (June, 1976), p. 54.

[38] *Ibid.*

One of the more important benefits obtained through better planning and more cooperation is a more equitable, economic and efficient allocation of resources. When student enrollment was increasing continuously during the sixties, larger budgets were easier to justify, and even large-scale waste of resources could be tolerated. As this growth has slowed in the seventies, and with many observers predicting worse in the eighties, institutes of higher learning must survive on smaller budgets, and effective resource management grows in importance.

A 1972 Carnegie Commission report entitled The More Effective Use of Resources listed several reasons why better use of resources is a necessity.[39] First, there are other priorities in the nation fighting for federal funds; second, there is a surplus of graduates in some categories, and there is less reason to subsidize a surplus; third, more students are coming from lower-income families that are incapable of meeting the high tuitions imposed; fourth, campuses will continue to be centers of dissident philosophies, thereby incurring the opposition of the public; and finally, growth in enrollments will continue to slow down from its historic rate of doubling every 10 to 15 years, with little increase seen in the 1980's. The last sentiment has been documented in prior sections of this yearbook.

Effective planning on an institutional basis, both public and private, can also yield significant benefits, through a better utilization of resources, including faculty time, facilities usage and other areas. The importance placed on faculty time, and the opinion that such time is not being managed effectively is stated by several authors. In his 1974 article "Community and the Survival of the Small College," Norman C. Snyder favored the participation of faculty in the governance of their universities, but not to the point where the entire structure suffers from the effort. As he said, "The structure... functions in a loosely organized manner, lacks clear channels and levels of authority, has much duplication of effort, and is thereby extremely inefficient and costly."[40] He would like to preserve the faculty's role in governance, while improving the efficiency of the operation. He continued:

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[39] Carnegie Commission on Higher Education, The More Effective Use of Resources (New Jersey: McGraw-Hill Book Co., June, 1972), p. 7.

[40] W. C. Snyder, "Community and the Survival of the Small College," Liberal Education, Vol. 60, No. 2 (May, 1974), p. 188.

> A time and motion study team observing events on a typical campus would be horrified at the amount of wasted time and effort found in the daily routines of most faculty members. It is true that many faculty put in long hours both on and off campus, though usually in an extremely wasteful fashion. The teaching part of the job is done with moderate efficiency in most cases, but this takes up only a fraction of the total time spent. The largest blocks of time are spent on attending committee meetings and events of various sorts. It is here that inefficiency and ineffectualism run rampant.[41]

The 1972 Carnegie report also noted that administrative costs in general should be analyzed by all educational institutions with the objective of identifying inefficient areas and correcting them. In particular, schools should attempt to determine how their administrative costs compare with those of other similar institutions. According to the report, average administrative costs per FTE student tend to be far higher in private universities than in their public counterparts.[42] Two important factors explaining this difference are the greater attention on the part of private universities to functions associated with the recruitment and selection of students, as well as their greater emphasis on alumni relations and fund raising.

Another area where better resource usage can be obtained through improved planning and cooperation is computer services. Many educational institutions are turning to computers to handle a myriad of functions. More research is needed to study the financial implications of purchasing computer services from commercial organizations, or sharing computer services among universities and colleges, as alternatives to buying increasingly sophisticated computers that become obsolete relatively rapidly.

In their conclusions, the 1972 Carnegie report suggested that projected growth in expenditures of higher education can be reduced.[43] Two methods they recommended were reducing the time spent in college by students, and increasing the student/faculty ratio. The total number of years of student training can be reduced by dropping duplication in courses between high school and college, and by increasing the number of courses per semester. In this way, tuition costs to the student would be less, due to the decrease in time spent at the college, and the cost to the university would also be less. The subject of student/faculty ratios must be analyzed on a college by college basis, and even within a college, on a department by department basis. As stated in the 1976 CICU report,

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[41] Ibid.

[42] Carnegie Commission on Higher Education, The More Effective Use of Resources (N.J.: McGraw-Hill Book Co., June, 1972), p. 7.

[43] Ibid., p. 151.

> Several institutions did indicate that they expected student/faculty ratios to increase in the years ahead ...But it was stressed that quality of education would not be sacrificed to achieve this end.[44]

Improved facilities usage can also be achieved with effective planning. The 1976 Regents report mentions that "The debt service cost of the SUNY academic building construction program at State-operated campuses has doubled since 1971-72 and now costs the University nearly $112 million per year."[45] If the current SUNY construction projects are completed, the Board of Regents estimates the debt service at $170 million per year by 1979. This expense may not even be necessary, since the current projects were based on increasing student enrollments projected by the 1972 Regents Master Plan. In fact, the Regents now estimates that "the need is for 7.3 million net square feet (22 percent) less than currently exists, and 13.9 million net square feet (35 percent) less than SUNY is planning to have on line by 1984."[46] Obviously, a review of the construction needs of all institutions, public and independent, should be made in light of the expected declining student enrollments.

The SUNY facilities usage problem noted in the previous paragraph also points out a basic characteristic of any planning system: the need to be flexible. Most plans are by their nature long-range affairs. As Wattel puts it:

> While financial problems may erupt because of a lack of long-range planning, they are not solved by instituting planning. The introduction of planning has meaning mainly for the future.[47]

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[44] "A Capacity for Innovation 1976 Master Plan of CICU, New York," (June, 1976), p. 28.

[45] "The Regents Statewide Plan for the Development of Postsecondary Education," (November, 1976), p. 97.

[46] Ibid.

[47] Wattel, op. cit., p. 17.

Therefore, plans must be updated as new data is uncovered, or the usefulness of the plan might disappear. Obviously, this could introduce problems into the planning system, as noted with the SUNY construction plans.

In a recent series of articles in Newsday, entitled "Long Island at the Crossroads," the phrase "lifelong education was used, indicating the expansion of school programs to include more adults.[48] This increased accessibility to all schools, including universities, would provide an excellent means to combat the decline in the traditional students, and should be included in any educational planning system. As stated previously, both the SUNY (see footnote #23) and CICU (see footnote #28) organizations list accessibility as one of their goals. CICU mentions several member institutions presently engaged in expanding their enrollment to include adult students, veterans, and even prison inmates. Again, no financial data is given to evaluate these programs, though CICU does note two problems encountered with accessibility planning:

> Competition with government-sponsored institutions or local secondary schools was cited as one cause, since these institutions can offer such courses at much lower cost to the student. Other institutions mentioned that their rural setting precludes the need for such programs as the market simply is not there.[49]

More research is needed to explore and evaluate the benefits and problems encountered when access to educational institutions is broadened.

In summary, the New York State institutes of higher education, both public and private, must build on the planning foundations which already exist (SUNY, CUNY, and CICU) and expand them, while obtaining more financial data to properly evaluate these planning programs. The need for effective and efficient planning systems was stated well in a 1973 U. S. News and World Report article by the Rev. Paul C. Reinert, S.J., then president of St. Louis University and head of the National Council of Independent Colleges and Universities. He was quoted as saying:

> Given the limitations of our academic resources and the inexhaustible list of education needs, it is imperative

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[48] "Long Island at the Crossroads," Newsday (Long Island, New York) (March 28, 1973), p. 6.

[49] "A Capacity for Innovation 1976 Master Plan of CICU, New York," (June, 1976), p. 30.

> that the programs of all types of institutions, public and private, be somehow interrelated and integrated into a total plan serving the public need.[50]

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[50] "Latest Plan to Save Colleges: Pool Books, Labs, Computers...," U. S. News and World Report (May 21, 1973), p. 46.

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CHAPTER 11

REGULATION COMPLIANCE COSTS COOPERATIVE SAVINGS

Eugene DeClue

REGULATION AND THE HIGH COST OF COMPLIANCE

While it is true that the current financial plight of both public and private institutions of higher education must be attributed to many factors, the impact of a steadily increasing number of regulations at every level of government has certainly become an important consideration, especially in recent years. Each year additional laws are enacted, which require a substantial commitment in terms of both time and money, and which add to the already serious financial burden facing most colleges and universities. Indeed, the total cost to higher educational institutions of federally mandated programs for the year 1975 was "estimated by Change at $2 billion - or the equivalent of the total of all voluntary giving to institutions of higher education."[1]

Another measure of the growing involvement of the federal government in the higher educational process was offered in a recent article by Earl F. Cheit, in which he made the following rather astonishing observation: "In 1972 the Office of Education published a total of 32 documents in the Federal Register. In 1976, it expects to publish 270 official notices and regulations. If it continues at this rate, in just five years, the number of published federal regulations alone will exceed the total number of colleges and universities."[2] This statement dramatizes the difficult position into which institutions of higher education have been placed, and also provides some insight into the magnitude of the burden which government regulations represent to these colleges and universities.

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[1] George W. Bonham, "Will Government Patronage Kill the Universities?", Change, Vol. 7 (December-January, 1975-76), p. 10.

[2] Earl F. Cheit, "What Price Accountability?", Change, Vol. 7 (November, 1975), p. 32.

At least one reason for the current level of government involvement has been the increasing dependence of educational institutions upon both direct and indirect forms of federal support in order to meet their financial needs. As Richard M. Schrader has pointed out, "from 1930 to 1967, expenditures for higher education as a percent of gross national product have quadrupled, from .6 percent of the gross national product in 1930 to 2.2 percent in 1967."[3] Moreover, the number of institutions that receive some form of federal support has risen almost as dramatically as the amount of assistance provided. "In 1967 over 80 percent of the country's institutions of higher education received federal support; in 1963, less than half received support."[4] Both of these trends have continued to the present time, resulting in a great deal of pressure to ensure that the funds are being utilized effectively and equitably. Faced with this responsibility to monitor the assistance it makes available, as well as the desire on the part of the nation to eliminate discrimination and provide an equal opportunity for all Americans, the federal government has responded with regulation which is often duplicated at the various levels of government and even between branches at the same level. This situation is particularly evident in the area of anti-discrimination legislation, where the "responsibility for enforcement of equal opportunity and affirmative action programs rests with many Government agencies. As a result, reporting and recordkeeping requirements are different; compliance reviews are duplicative; and the necessity to reply to multiple forums places a tremendous burden on respondents in terms of money, time, and paperwork."[5] For example, the Office for Civil Rights of HEW has responsibility for investigating pattern and class complaints against universities, while the Equal Employment Opportunity (EEO) Commission has been handling all individual complaints since March 1972. It is the Wage-Hour Division of the Department of Labor, however, which is responsible for enforcing equal pay requirements for men and women performing jobs requiring comparable skills.

The situation is complicated further by the fact that "about four-fifths of the states have fair employment practices laws, which usually ban discrimination in employment on grounds of race, sex, religion, or age. The laws in many states apply to the faculties of institutions of higher education and are generally administered by a state agency specifically created for that purpose."[6] Then too, even "some cities, including Cleveland, New York, Philadelphia, Pittsburgh, and St. Louis, have municipal fair employment practices laws."[7]

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[3] Richard M. Schrader, "The Growth and Pitfalls in Federal Support of Higher Education," Journal of Higher Education, Vol. XL (December, 1969), p. 705.

[4] Ibid.

[5] A Report of the Commission on Federal Paperwork (April 29, 1977), p. 59.

In short, "a university can be subject to as many as four separate compliance investigations over a period of time and can have separate charges of discrimination brought against it by three federal agencies and a state agency. The agencies have different data requirements and may apply somewhat different definitions, criteria, and standards for determining the existence and extent of discrimination."[8] The result is often confusion, and at times even conflict, as inconsistencies are encountered. Indeed, it is very interesting to note that "the HEW Office for Civil Rights assumes no responsibility if a university, following the instructions of an HEW compliance officer, is for that reason charged by EEOC, of a state agency, or a court, with discrimination against a white male applicant by hiring a less-qualified woman or black. In other words, a university can be charged at the same time with discrimination against women and blacks (by HEW because it has alleged 'deficiencies' that must be 'corrected' or by the EEOC or a state agency in individual cases of alleged past discrimination) and with discrimination against nonminority males (because the university favored women or blacks in hiring, which was the only way it could fulfill its affirmative action goals and meet timetables established according to instructions by HEW regional civil rights officials)."[9] Thus, as a result of this deluge of legislation at all levels of government, the institutions of higher education have been left with the task of not only implementing the provisions of these laws, but also demonstrating compliance by accumulating vast amounts of data.

The precise magnitude of this task in terms of costs to the colleges and universities is difficult to determine, since the full documentation of these efforts not only boosts administrative costs but "also puts demands on the time of administrative staff and faculty members which are virtually impossible to compute."[10] Nevertheless, some estimate of the costs involved can be obtained from a statement issued by the American Council on Education indicating that "one large public university's annual expenses for implementing federal programs increased from $438,000 to $1.3 million between 1965 and 1975. During the same period a large private university's expenses increased from $110,000 to $3.6 million, and a private college's $2,000 to $300,000."[11] Furthermore, these monetary expenditures represent only a part of the actual costs incurred, since "they do not reflect the diversion of effort from scholarship to attention to federal demands."[12]

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[6] Richard A. Lester, Antibias Regulation of Universities, p. 6.

[7] Ibid., p. 87.

[8] Ibid., p. 6.

[9] Ibid., p. 90.

[10] John Walsh, Higher Education and Regulation: Counting the Costs of Compliance," Science, Vol. 190 (October 31, 1975), p. 444.

In yet another recent article, John Walsh again emphasized the fact that "compliance with multiplying federally mandated programs is not only imposing added administrative costs but, in the view of some, is seriously compromising traditional academic autonomy."[13]

Perhaps the best summary of the current dilemma, however, was made by Philip H. Abelson, who observed that although "the laws are proposed and enacted for worthy purposes, such as occupational safety, fair employment, or social security, (and that) each of itself is laudable and defensible,...their total impact on the financial and intellectual life of the universities is severe."[14]

One of the most comprehensive surveys investigating the costs associated with federally mandated social programs was conducted by the American Council on Education (ACE), and recently reported by Carol Van Alstyne and Sharon L. Coldren. This study focused on the cost of social legislation over the ten years from 1965 to 1975 at six institutions of higher education considered to be representative of other colleges and universities around the nation. In particular, the sample included one large state university, a local community college, two private universities with hospital facilities, and two private liberal arts colleges. The specific institutions which participated were the following:

I. University of Illinois, Urbana, Illinois

II. Miami-Dade Junior College, Miami, Florida

III. Duke University, Durham, North Carolina

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[11] Philip H. Abelson, "Federal Intervention in Universities," Science, Vol. 190 (October 17, 1975), p. 221.

[12] Ibid.

[13] Walsh, op. cit.

[14] Abelson, op. cit.

IV. Georgetown University, Washington, D.C.

V. Hampton Institute, Hampton, Virginia

VI. College of Wooster, Wooster, Ohio

This study attempted to measure more precisely the financial burden resulting from the major pieces of federal legislation which currently govern various aspects of college and university behavior. These regulations include the following:

Equal Employment Opportunity provisions of the Civil Rights Act of 1964, and subsequent amendments.

Equal Pay Act of 1963.

Affirmative Action programs based on Executive Order 11246 issued in 1965, and subsequent amendments.

Employment Act of 1967 pertaining to age discrimination.

Fair Labor Standards Act (FLSA) of 1938, as amended.

Social Security Act of 1935 and Employment Security Amendments of 1970 controlling unemployment compensation and Social Security taxes.

Health Maintenance Organization Act of 1973.

Employment Retirement Income Security Act (ERISA) of 1974.

Economic Stabilization Act of 1970.

Occupational Safety and Health Act (OSHA) of 1970.

Environmental Protection regulations issued by the Environmental Protection Agency.

The results of this survey provide an excellent indication of the extent of government involvement in the operation of higher educational institutions, and help to place a more accurate price tag on this type of interference. Some of the data accumulated in this survey are presented in Table 1, which shows the cost of implementing selected federally mandated social programs at each of the six institutions for the academic years indicated. As can be seen from this table, the combined cost at the six institutions in the final year of the survey was almost $10 million.

Moreover, in the decade under consideration, the combined costs increased nearly twentyfold from about $500,000 in 1965-66 to approximately $10 million in 1974-75. Table 2 indicates the cost of implementing these programs over the same period, once Social Security taxes have been omitted.

TABLE 1*

Trends in Costs of Implementing Federally Mandated Social Programs 1965-1975
(By Institution, Including Social Security Taxes)

	I	II	III	IV	V	VI
1965-66	$ 438,470			$ 110,736	$ 2,158	$ 4,540
1966-67	348,809			359,522	71,113	16,028
1967-68	176,467			555,194	131,926	23,081
1968-69	346,265	25,567	391,545	611,384	202,908	43,511
1969-70	683,645	138,250	661,559	1,440,581	221,908	105,583
1970-71	856,429	156,240	1,607,738	992,038	216,493	119,753
1971-72	880,932	240,107	1,450,318	1,485,302	242,245	131,893
1972-73	819,815	337,451	2,493,210	1,809,287	279,659	123,789
1973-74	1,156,583	441,257	3,715,170	2,330,676	385,619	154,965
1974-75	1,302,545	480,067+	3,618,070+	3,603,243	467,493	240,164

SOURCE: American Council on Education, Policy Analysis Service. Data compiled by the Special Costs Study Task Force (Spring, 1975).

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* Carol Van Alstyne and Sharon L. Coldren, The Costs of Implementing Federally Mandated Social Programs at Colleges and Universities, American Council on education, Policy Analysis Service - Special Report, Washington, D. C. (June, 1976), p. 31.

TABLE 2*

Trends in Costs of Implementing Federally Mandated Social Programs
1965-75
(By Institution, Excluding Social Security Taxes)

	I	II	III	IV	V	VI
1965-66	$ 438,470			$ 110,736	$ 2,158	$ 4,540
1966-67	348,809			193,370	32,958	320
1967-68	176,467			313,004	62,958	345
1968-69	346,265	1,263		332,922	93,558	375
1969-70	683,645	80,186		1,091,829	92,958	58,239
1970-71	856,429	103,663	617,400	393,022	92,958	52,421
1971-72	880,932	115,710	623,750	758,711	93,928	42,407
1972-73	819,815	135,570	349,590	771,208	99,070	34,303
1973-74	1,156,583	141,954	962,940	1,006,506	146,590	39,464
1974-75	1,302,545	180,764	865,940	1,939,573	166,277	87,871

SOURCE: American Council on Education, Policy Analysis Service. Data Compiled by the Special Costs Study Task Force (Spring, 1975).

* Van Alstyne and Coldren, op. cit., p. 33.

The report also indicated that "the cost to individual institutions represented between one percent and four percent of their operating budgets."[15] Some additional perspective can be gained from an evaluation made by the ACE, and quoted by Walsh in his recent article, which notes that "these costs, though small in comparison to the total institutional operating budgets, are large relative to the operating deficits experienced by some institutions in recent years, and are greater than the budgets of some academic departments that face extinction through shifts in institutional budget priorities."[16]

One of the most controversial and widely publicized areas of federal legislation has been the insistence that colleges and universities demonstrate compliance with equal opportunity regulations regarding employment practices and student selection procedures. As Time recently reported, "some 2,000 colleges and universities have been struggling both to come up with 'affirmative action' employment programs acceptable to Washington bureaucrats and to defend themselves against literally hundreds of discrimination suits."[17]

Another recent publication observed that "'Affirmative Action' advertising, federally imposed on the colleges and universities, is now estimated to cost institutions at least $6 million a year, though few professional placements ever result from such national advertisements."[18] In the same article, George W. Bonham summarized several additional aspects of the dilemma facing institutions of higher education, in the following statement:

> Under new rules promulgated under the guaranteed student loan program, educational institutions are required to survey the status of last year's graduates. Total cost to the institutions is estimated at $25 million a year. And HEW's disastrous 'Berkeley Plan' for affirmative action is estimated to have cost the universities $250,000 in administrative costs alone. The cost to universities of students

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[15] Carol Van Alstyne and Sharon L. Coldren, The Costs of Implementing Federally Mandated Social Programs at Colleges and Universities, American Council on Education, Policy Analysis Service - Special Report, Washington, D. C. (June, 1976), p. 14.

[16] Walsh, op. cit., p. 445.

[17] "Affirmative Action: The Negative Side," Time Vol. 104 (July 15, 1974), p. 86.

[18] Bonham, op. cit., p. 11.

> inspecting their college files, permitted under the recent Buckley Amendment, is estimated at several hundred thousand dollars a year.[19]

Hence, although the exact cost of government regulatory activity can only be estimated, it is clear that the cumulative effect is quite substantial, and poses a serious threat to the financial survival of educational institutions in New York State and around the nation. Indeed, the following warning was issued by Rev. James C. Finlay, S.J., the president of Fordham University, in response to proposals that the Social Security payments paid by employers be further increased. "I urge you to think what these additional costs mean to institutions such as Fordham which are 75 percent dependent upon student tuition for survival," Father Finlay said: "In the context of a federal budget or a Harvard budget the margins of difference are miniscule. To us they represent the margin of fiscal health."[20]

One additional result of the recent increase in legislation was cited in _Time_, which reported that "along the way, the 20 leading campuses have temporarily lost more than $28 million in federal research funds - withheld as a penalty for failure to satisfy Government equal-employment watchdogs."[21]

Another source of expense has been the paperwork associated with government grants, loans and contracts. Unfortunately, however, "reliable evidence on the costs of providing data and information has not yet been developed. Only in recent years, as data and information have come to be regarded as a resource to be managed, have education researchers and business officers been impelled to start looking at the mounting costs of responding to more requests for more information."[22] Nevertheless, despite the lack of quantitative data available, it is clear that the cost of such documentation is sizable, and increasing each year.

In spite of these problems, many officials of colleges and universities are reluctant to complain, since the regulations are intended to achieve social justice, and to question them is likely to place the officials in an awkward position. For this reason, there remains a serious lack of data concerning these costs, which has only recently begun to be filled.

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[19] _Ibid_., p. 60.

[20] News Release issued in New York on November 23, 1977 by the Office of University Relations, Fordham University.

[21] "Affirmative Action: The Negative Side," _op. cit_.

[22] _A Report of the Commission on Federal Paperwork_ (April 29, 1977), p. 11.

One notable exception to the current trend of tacit acceptance has been the challenge to affirmative action programs raised in the courts. Here the controversy continues to rage and the basic questions remain unanswered. A recent example is the case of the Regents of the University of California versus Allan Bakke. Although this case deals primarily with university admissions and the right of the University of California at Davis to refuse Allan Bakke a place in its medical school in order to provide room for disadvantaged minority students, the outcome could have an impact in many other areas as well. For example, "the Department of Health, Education and Welfare has held that universities receiving substantial Federal research funds must attempt to match their faculty hiring with the racial and sexual composition of the pool from which they normally draw their professors."[23]

Unfortunately, the case currently under consideration deals with a specific incident resulting from a single affirmative action program, and it is, therefore, somewhat doubtful whether any decision reached is likely to have the far-reaching impact anticipated. All that can realistically be expected is that this and similar cases will provide additional insight into the exact extent of government intervention which can be expected and must be tolerated in the future.

Another piece of legislation which has also proven costly to implement is Title IX of the Education Amendments of 1972. In particular, "Title IX stipulates that 'no person in the United States shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any educational program or activity receiving Federal financial assistance.'"[24] The effect of this regulation has been the complete review of recruitment and employment practices at higher educational institutions, and the modification of these procedures wherever necessary. Not only has this transition raised many new problems which must be solved, but it has also proven extremely expensive to implement.

It should be noted that up to this point the cost of implementing state regulations has been largely omitted, and must, therefore, be added to the costs already enumerated, in order to obtain a more accurate and complete realization of the serious financial consequences resulting from legislature at every level of government. Indeed, as mentioned previously in the case of fair employment practices laws, it is not uncommon for state governments to insist on additional or duplicate requirements to secure state assistance.

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[23] David E. Rosenbaum, "The Bakke Case Will Echo Through the Government," The New York Times Vol. CXXVII, Section 4 (October 16, 1977), p. 2.

[24] Eve Glasser, "Teaching Teachers About Sexism," The New York Times Vol. CXXVII, Section 11 (October 2, 1977), p. 8.

In addition to the costs associated with the implementation of social programs outlined by both the state and federal governments, colleges and universities must also contend with other financial commitments which emerged from the public policies of the 1960's. Perhaps the most important of these was the heavy emphasis on expansion, in response to the rapidly rising student enrollment. During this period a great deal of funds were made available for the expansion of educational facilities, which are now creating serious strains on the institutions trying to maintain these buildings. It was precisely this dilemma to which Schrader was referring, when he warned that "because of the cost of operating these new buildings, the institutions will have built-in escalators within their operating budgets and will have to get relief for the budget by either increasing tuition or turning again to government. Thus, programs such as the housing program create a situation where the colleges and universities can become increasingly dependent upon the government."[25] This observation has proven particularly painful for those institutions that have in recent years witnessed a leveling of student enrollment followed by a decline, leaving them with facilities that are underutilized or unused entirely.

Some additional insight concerning the magnitude of this problem can be gained by noting that the Dormitory Authority of the State of New York alone has participated in more than $2 billion worth of college and university construction in the 30-year period following its creation in 1944. Furthermore, a report issued in September of 1975 stated that "the total indebtedness of these public and private institutions to the Authority is $1.6 billion."[26]

Unlike some business enterprises which enjoy a relatively inelastic demand for their products or services, and can, therefore, simply pass these rising costs along in the form of higher prices, educational institutions must draw their students from a group of consumers that has experienced a steady decline in recent years. Nevertheless, some colleges and universities, particularly in the private sector, are compelled to consider higher tuition in order to offset these increasing costs. As a report of the Commission on Federal Paperwork recently stated, the "costs of education at any institutional level are supported typically by taxes, tuition charges and private philanthropy. As costs increase for whatever reason, including paperwork, support from these sources must increase also."[27] This same report also added that "smaller independent colleges, which receive the major portion of their income from students, fear that additional costs of paperwork will require increases in tuition. A consortium of 20 independent colleges in a southern State suggests Federal paperwork cost them $668,727 last year (1976), or $47.09 for every full-time equivalent student."[28]

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[25] Schrader, op. cit., p. 716.

[26] New York State Regents Advisory Commission on the Financial Problems of Postsecondary Institutions (September 1, 1975), p. 110.

[27] A Report of the Commission on Federal Paperwork (April 29, 1977), p. 13.

Some of the other options available in the struggle to compensate for higher costs include reductions in course offerings, faculty, and administrative staff. Nevertheless, the fact remains, that it is the students who must pay the largest share of the increasing costs of compliance with government regulations, whether in terms of higher tuition or service cutbacks.

Rather than seek relief through legal action, an increasing number of colleges and universities are simply choosing to refuse federal assistance. Indeed, "a small eastern independent college president testified at a Commission hearing that his institution could not consider applying for certain grants of less than $50,000 because of the high cost of the requisite paperwork. Another midwestern public university officer testified that institutions sometimes forego responding to requests for proposals to help solve national problems because of the excessive paperwork involved."[29]

Another example of this trend is the Hillsdale College in Michigan, which has steadfastly rejected federal funds in order to reduce the risk of government interference. Perhaps its position was best summarized by George Roche, the President of Hillsdale, who made the following statement:

> rather than allow such a federal takeover of our campus, we are prepared to refuse compliance with the government edicts now proposed. None of us at Hillsdale underestimates the power of the federal government to harass and possibly destroy those who do not comply, but we feel the fight must be made if independent education is to endure in America.[30]

Even more recently, "fourteen American medical schools have forfeited $11 million in Federal funds in a continuing battle over a new law that requires them to accept as transfer students Americans who began their medical studies in other countries."[31]

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[28] Ibid.

[29] Ibid.

[30] Bonham, op. cit., p. 60.

[31] Lawrence K. Altman, "Medical Schools Lose $11 Million In Fight Over Foreign Transfers," The New York Times, Vol. CXXVII (November 28, 1977), p. 1.

Typical of the reasons expressed by these schools was that of the University of Illinois, which explained that "if it accepted capitation funds...the school would have lost from $3.2 to $5.1 million, depending on the number of students it was assigned. By forfeiting the capitation funds, the school lost just $1.9 million."[32] Thus, the high cost of compliance with federal regulations has actually reached the point where in some cases the benefits derived no longer justify the expenses incurred by the recipients.

CUTTING COST THROUGH COOPERATION

Over the past decade, rising costs and declining enrollments have combined to create an atmosphere of intense competition among institutions of higher education. In particular, the heavy expansion during the decade of the 1960's has left many colleges and universities ill-equipped to handle the sudden drop in student attendance experienced over the last few years. Moreover, a migration to lower cost state-financed institutions has placed those within the private sector in an even more precarious position. Although it can be argued that both of these trends were predictable and should have been anticipated before making any long-range commitments, the availability of funds and the pressure to expand facilities, encouraged many colleges and universities to ignore these early indications that the number of applicants would decrease in the years ahead.

The enrollment data for each type of institution in New York State during the five years from the Fall of 1972 to the Fall of 1976 are included in Table 3. It is clear from these figures that the independent colleges and universities managed to experience increases in each of these years, despite the fact that the total state attendance actually declined in 1976. The private sector reached its lowest proportion of the total state enrollment in 1974, but then reversed the trend, and increased its share of students in the two subsequent years, suggesting that perhaps the migration to the public institutions has begun to subside. In terms of enrollment, all three categories of public institutions suffered reductions in 1976, and CUNY also reported a setback in the previous year. In short, these figures indicate that perhaps the colleges and universities in the public sector will be more adversely affected by the future declines than had been originally anticipated. Nevertheless, the projected declines are still likely to provide a strong impetus for encouraging greater cooperation not only among colleges and universities in the private sector, but also between the independent institutions and those which are publicly funded.

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[32] *Ibid.*, p. 55.

TABLE 3*

Degree Credit Enrollment Trends in Institutions of Higher Education by Institutional Classification New York State

Type	Fall 1972		Fall 1973		Fall 1974		Fall 1975		Fall 1976	
	Enrollment	Percent of tot.	Enrollment	Percent of tot.	Enrollment	Percent of tot.	Enrollment	Percent of tot.	Enrollment	Percent of tot.
Independent										
Full-time	212,325	25.2	211,240	23.7	219,092	22.8	233,485	23.5	241,235	25.7
Part-time	111,892	13.3	120,479	13.5	127,515	13.4	136,587	13.7	132,627	14.2
Total	324,217	38.5	331,719	37.2	346,607	36.2	370,072	37.2	373,862	39.9
Proprietary										
Full-time	-	-	7,908	0.9	8,499	0.9	11,543	1.1	13,561	1.4
Part-time	-	-	3,466	0.4	3,698	0.4	4,575	0.5	6,582	0.7
Total	-	-	11,374	1.3	12,197	1.3	16,118	1.6	20,143	2.1
SUNY*										
Full-time	192,415	22.9	201,988	22.7	212,356	23.0	231,460	23.3	225,461	24.1
Part-time	98,442	11.7	104,588	11.7	112,886	12.2	126,154	12.7	117,394	12.5
Total	290,857	34.6	306,576	34.4	325,242	35.2	357,614	36.0	342,855	36.6
CUNY*										
Full-time	87,326	10.4	89,444	10.0	92,833	10.0	92,065	9.2	76,243	8.1
Part-time	65,408	7.7	73,746	8.3	75,757	8.2	73,379	7.4	49,350	5.3
Total	152,734	18.1	163,190	18.3	168,590	18.2	165,444	16.6	125,593	13.4
Community Colleges in N.Y.C.										
Full-time	39,554	4.7	41,291	4.6	43,938	4.7	44,493	4.5	45,512	4.9
Part-time	34,391	4.1	37,032	4.2	40,428	4.4	40,837	4.1	29,245	3.1
Total	73,945	8.8	78,323	8.8	84,366	9.1	85,330	8.6	74,757	8.0
Total State										
Full-time	531,620	63.2	551,871	61.9	576,718	61.4	613,046	61.6	602,012	64.2
Part-time	310,133	36.8	339,311	38.1	360,284	38.6	381,532	38.4	335,198	35.8
Total	841,753	100.0	891,182	100.0	937,002	100.0	994,578	100.0	937,210	100.0

*Excluding New York City Community Colleges

* College and University Enrollment in New York State, Fall 1976, (Preliminary Report), Albany: New York State Education Department, 1976), p. 10.

The severity of the current situation is further demonstrated by a recent study conducted by the New York State Education Department, which has projected that "by 1990, institutions will enroll about 23 percent fewer students than in 1980,"[33] indicating that the current trend of declining enrollments is likely to continue through at least the next decade. Specifically, Table 4 shows that the number of high school graduates is expected to decline to approximately 167,000 by 1990, representing a drop of more than 31 percent over the ten year period ending with 1990.

The same report also described the predicament of the 221 colleges and universities located within the State of New York in the following statement:

> Although the average or total decline in full-time undergraduate enrollments is expected to be about 23 percent, there will obviously be marked variances from this average rate for individual institutions. It is projected that 27 institutions will be confronted by enrollment declines of 40 percent or more by 1990. Private institutions, 21 of them, comprise the bulk of this category. Forty-three institutions may see enrollment declines between 30 and 40 percent and an additional 45 institutions, declines of 20 to 30 percent. Hence, well over half of all the individual institutions will have enrollment declines exceeding the average rate of 23 percent.[34]

In addition to the financial implications of an overall decline in student enrollment, private institutions of higher education are also confronted with the impact of an unprecedented growth in the public sector. Although the attendance at public institutions declined somewhat in 1976, "the growth and development of the public sector has been the major factor in a doubling of the higher education capacity of the State over the past 20 years and it has also brought about dramatic changes in the distribution of student enrollments."[35] In short, private colleges and universities can anticipate severe financial difficulties in the future, as they attempt to compete for a declining number of available students and a limited amount of tax dollars.

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[33] New York State Regents Advisory Commission on the Financial Problems of Postsecondary Institutions (September 1, 1975), p. 110.

[34] Ibid., p. 111.

[35] Ibid., p. 97.

TABLE 4*

New York State
Past and Projected High School Graduates and College Enrollments 1969-1990 (Thousand)

	1969	1973	% Change 1969-73	1980	% Change 1973-80	1990	% Change 1980-90	% Change 1973-90
High School Graduates	223.0	242.8	8.9	243.1	.1	166.8	(31.4)	(31.3)
Full-Time Freshmen	121.3	140.5	15.8	139.8	(.5)	96.5*	(31.0)	(31.3)
Full-Time Undergraduate Enrollments	400.3	484.0	20.9	495.0	2.3	380.3	(23.2)	(21.4)
Public	223.5	314.1	40.5	325.6	3.7	245.8	(24.5)	(21.7)
Private	176.8	169.8	4.0	169.4	(.2)	134.5	(20.6)	(20.8)
Part-Time Undergraduate Enrollments	163.2	215.6	32.1	249.4	15.7	260.0	4.2	20.6
Graduate & Professional Enrollments	151.8	180.2	18.7	213.6	18.5	229.6	7.5	27.4
Full-time	51.1	60.3	18.0	70.9	17.6	66.6	(6.1)	10.4
Part-Time	100.7	119.9	19.1	142.7	19.0	163.0	14.2	13.6

* Estimate based on the ratio to high school graduates which prevailed in 1973.

* New York State Regents Advisory Commission on the Financial Problems of Postsecondary Institutions (September 1, 1975), p. 192.

Some additional insight into the recent changes in the distribution of student enrollments can be gained by considering the observations contained in a report issued in 1975 by the New York State Regents Advisory Commission on the Financial Problems of Postsecondary Institutions. Specifically, "while State University institutions enrolled about 22 percent of all students in 1960, they now enroll twice that percentage. The share of City University, excluding the eight community colleges under its jurisdiction rose only slightly from 16 to 18 percent of the total - although total growth, as we have noted, was substantial. The relative share of the private institutions has fallen from 62 percent in 1960 to 37 percent today."[36] It should be noted, however, that this report was issued at a time when independent institutions had reached their lowest proportion of total state enrollment, and does not reflect the changes which have occurred in the last few years. Nevertheless, it is clear that a dramatic shift to public colleges and universities has taken place, resulting in new problems for both sectors. On the one hand, the State University is experiencing financial stress due to the constant demands for expansion, while at the same time private institutions are suffering the effects of a dwindling enrollment. Indeed, it was precisely this realization which has encouraged government officials to at least consider the advantages of aiding private universities through programs like tuition assistance, instead of building new state facilities to handle the migration of students. Certainly such programs constitute a considerable cost savings, especially when compared with the alternative of duplicating facilities already existing at private institutions.

Furthermore, if the current trend of declining enrollment continues, and the projections cited previously prove accurate, as many as 48 private institutions will suffer decreases of 30 percent or more, raising serious doubts concerning their prospects for survival.

The ever-increasing costs associated with competition have led many institutions to search for new avenues of cooperation. In fact, it was exactly this point which Lantz emphasized in a recent article:

> Colleges in the private sector must face problems collectively, not individually. Private college administrators must recognize immediately that the problems of financing higher education and specifically the problem of student aid cannot ultimately be resolved by individual private colleges pursuing their own courses unmindful of the rest of the private sector.[37]

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[36] Ibid., p. 100.

[37] G. Benjamin Lantz, Jr., "Financial Aid and the Future of Private Colleges," Liberal Education, Vol. LXI (October, 1975). p. 395.

Not only is it absolutely essential that institutions within the private sector cooperate among themselves, but it is also equally important that such efforts be extended to include the public sector as well, since it too, must contend with the decline in student enrollment anticipated over at least the next decade. Moreover, it is the differential between the tuition charged at public and private universities which represents one of the primary reasons for the shift to public institutions. As a result, "the private sector of the industry is again forced to fight for its very life. Declining enrollments, given a relatively fixed mix of educational plant and staff, force these institutions to raise prices. Any increase in price drives more students to the relatively cheaper public institutions. Continued enrollment declines will surely reduce the size and quality of the private sector in higher education with a real cost to the system as a whole."[38]

One of the more obvious reasons to encourage cooperation among educational institutions is that it results in the more effective utilization of resources, permitting the reduction of faculty and plant to a level more consistent with efficient operation. In particular, cooperation eliminates the need to duplicate offerings and specialties, thus resulting in a substantial cost savings. A second advantage is that it allows institutions to provide a more stable selection of courses, and a greater number of courses in the areas of competence as determined by the cooperating institutions. Clearly, such cooperation results in program enrichment at each of the colleges and universities involved.

Some of the possible areas of cooperation include the following: planning, the sharing of resources and library facilities, contracts for services, and the elimination of duplicate programs and specialties.

The importance of cooperation was also stressed in a recent report compiled by the New York State Regents Advisory Commission on the Financial Problems of Postsecondary Institutions, which reached the following conclusion:

> Institutional cooperation does not always conserve funds; it can result in each institution's concentrating in and specializing in those academic and professional programs in which it has the greatest strength, in improvement in instruction and in greater use of the best resources of each institution. Students can benefit by having access to the best resources and instruction available in

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[38] Edward H. Witkowski, "The Economy and the University: Economic Aspects of Declining Enrollments," Journal of Higher Education Vol. XLV (January, 1974), p. 49.

> each area. Faculty benefit through opportunities for greater concentration in their fields of specialization and contact with the best and most committed students.[39]

Nevertheless, while the benefits to be gained from greater cooperation among institutions in both the public and private sectors promise to be quite significant, these efforts must be accompanied by a change in public policy in order to reduce the comparative financial attractiveness of state institutions. Whether this action comes in the form of outright assistance to private colleges and universities, permitting them to reduce tuition, or an increase in tuition charges at state facilities matched by financial assistance to all students in the State of New York, some steps must be taken immediately if the option of attending a private institution is to be preserved. One thing has been made abundantly clear in recent years, and that is that private higher educational institutions cannot hope to compete with the vast taxing power of New York State. Indeed, it is only through cooperation among institutions both public and private, that the highest quality and widest choice possible, can be maintained.

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[39] New York State Regents Advisory Commission on the Financial Problems of Postsecondary Institutions (September 1, 1975), pp. 156-157.

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CHAPTER 12

INDIRECT INSTITUTIONAL FUNDING: THE G.I. BILL

Roger R. Ehrler

INTRODUCTION

Colonial legislatures and the British Parliament established the practice of granting postwar benefits to able-bodied veterans with the first settlements.[1] The specific benefits veterans enjoyed often depended upon the conditions during and after each of the various military conflicts.

Veterans groups often played a major role in pressuring legislators to grant benefits to veterans. Groups such as the Sons of Cincinnati, founded after the Revolutionary War, the Grand Army of the Republic, established after the Civil War, and the American Legion, organized after World War I, influenced the degree of generosity of the benefits.[2] After the European phase of World War II erupted, most Americans realized that American involvement would bring new demands for veterans' benefits.

The reemployment provision of the Selective Service Act of 1940 reflected a mood in favor of helping veterans immediately after their release from active duty and thus foreshadowed the central theme of the G.I. Bill. Once the United States entered the war in December 1941, President Franklin D. Roosevelt, his executive agency (the National Resources Planning Board), the American Legion, and both houses of Congress recognized the need for a major program to aid veterans during the coming period of demobilization.[3]

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[1] Keith W. Olsen, *The G.I. Bill, The Veterans, and the Colleges* (The University Press of Kentucky, 1974), p. 3.

[2] *Ibid*., p. 3.

[3] *Ibid*., p. 4.

Politicians had only to look on history to see what contempt can be manifest by slighting returning veterans. The role that the unemployed World War I European veteran played in the rise of facism and nazism evoked fear in many Americans. The American Legion, founded in 1919, championed the causes of the World War I veteran after Congress and President Woodrow Wilson failed to enact legislation to assist the returning veteran. After 15 years, the vetoes of bonus bills by four presidents and a veterans' march on Washington, a veterans' bonus bill passed and payment was made to veterans.[4] The World War I rehabilitation law of 1919 provided tuition, books, fees and a subsistence allowance of $90 to $145 a month for the vocational and professional training of disabled veterans. The healthy veteran had little to look forward to.[5]

The Wisconsin legislature passed the "Wisconsin Educational Bonus Law of 1919" granting educational benefits to those state veterans who served for a minimum of three months prior to November 1, 1918. The benefits consisted of $30 a month for four academic years to attend any nonprofit elementary or high school, technical institution, college or university in the state. Additionally, if a veteran could not find the exact program he wanted he could attend a school outside of the state and still receive benefits.[6]

The National Resources Planning Board (NRPB) was established by executive order on July 1, 1939. The NRPB consolidated and succeeded several federal planning agencies interested in national resources, the economy, and public works. The head of the agency was Frederick A. Delano, who appointed a smaller committee which held its first meeting on July 17, 1942. The committee called its work the "Conference on Post-War Readjustment of Civilian and Military Personnel" often referred to as the "Post-War Manpower Conference (PMC)." The committee was chaired by Dr. Floyd W. Reves, a consultant to the NRPB since June 1941, a staff member of the American Council on Education, and a professor on leave from the University of Chicago.[7]

The committee members were very much concerned over what demobilization might bring. Since the Armistice of World War I found the nation unprepared for demobilization, some committee members considered holding men in service to avoid a period of heavy unemployment.

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[4] Ibid.

[5] Ibid., p. 7.

[6] Ibid.

[7] Ibid., p. 5.

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The Canadians also were concerned and enacted a plan to provide benefits to veterans. The "Canadian Preparations for Veterans' Demobilization and Rehabilitation" provided a clothing allowance, unemployment insurance, land grants, educational benefits, and business assistance. Under the Canadian plan, veterans who had their education interrupted received fees and a monthly maintenance allowance for a period determined by their length of service. The plan also provided for postgraduate work in approved cases. The Canadian Law, passed in October 1941, provided another model to draw on.[8]

Influenced by the "World War I Rehabilitation Law of 1919," "The Wisconsin Educational Bonus Law of 1919," and the pamphlet "Canadian Preparations for Veterans' Demobilization and Rehabilitation," the PMC issued its final report in June 1943. It contained ninety-six proposals, many only in the form of generalities but some more specific: three months' furlough at regular pay (not to exceed $100 per month); a family allowance at the time of separation from active duty; and twenty-six weeks of unemployment insurance.[9]

The various proposals contained in the report reflected the Committee's concerns and expectations of what the postwar years would bring: high unemployment, a depressed economy, and higher wages, hours, and prices. During the war, the nation's economy was at full employment, and with the termination of the war, many war-related jobs would end. The problem was predicted to be aggravated by the onslaught of millions of returning veterans. In an attempt to mitigate the problems that demobilization could bring, the Committee proposed a two-part plan for the education and training of veterans.

The first part provided twelve months of schooling at any level to all veterans. This was aimed at enabling veterans to obtain retraining or an opportunity to train for a new career. The second, or supplementary, part of the plan provided an additional three years of education to a select group of veterans. In order to qualify, a veteran had to demonstrate that his education had been interrupted by the war or that he had made unusual progress or otherwise demonstrated particular aptitude or ability in his course of study. The supplementary plan would be administered under a competitive scholarship program. The program was structured to grant scholarships only in those fields where there existed a shortage of adequately trained personnel. No scholarships would be offered in which there was already an oversupply of trained personnel or little likelihood of the graduate's satisfactory and useful employment. The estimated cost, if all the programs recommended by the PMC were implemented, would have been between $3.5 and $7 billion.[10]

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[8] Ibid., p. 8.

[9] Ibid., p. 8.

[10] Ibid., p. 9.

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The PMC Committee bogged down and was unable to reach a conclusion by its planned completion date. Unhappy with the slow progress of the PMC, President Roosevelt decided to form a new study group.

The new group was called "The Armed Forces Committee on Post-War Educational Opportunities for Service Personnel." Brigadier General Frederick H. Osborn was appointed chairman. Unlike the PMC, the Osborn Committee was concerned only with educational benefits related to veterans. The Osborn Committee incorporated much of the work of the PMC and also had the benefit of having representatives of higher education on the committee.[11]

The Osborn Committee submitted its final report to Congress in July 1943. Basically, educational benefits would be provided only to those veterans with a minimum of 6 months service. Single veterans could obtain $50 per month and married veterans $75 per month. Veterans had to apply for benefits within six months of their discharge. Supplemental education would also be provided, but according to a state quota system.[12]

The Osborn Committee was not primarily concerned with the individual veteran.

> We have regarded any benefits which may be extended to individuals in the process as incidential...The primary objective ...of all efforts of our committee is to do what is necessary to overcome the educational shortages created by the war.[13]

The number of bills before Congress was mounting as veteran's groups and the American Council on Education (ACE) each submitted proposals.[14]

Congressional consideration of educational benefits for veterans lasted from November 1943 to June 1944. On September 23, 1943, at its twenty-fifth national convention, the American Legion adopted a resolution to form a special committee to draft a comprehensive rehabilitation program for veterans. A committee was formed and consulted with various leaders of labor, education, business, and the military.[15]

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[11] *Ibid.*, p. 11.

[12] *Ibid.*

[13] *Ibid.*

[14] *Ibid.*, p. 12.

[15] *Ibid.*, p. 15.

Shortly thereafter, a comprehensive bill was proposed which included titles for hospitalization, employment, unemployment, home and farm loans, business loans, mustering-out pay, education, and administrative procedures. The American Legion labeled the master plan, "The G.I. Bill of Rights." The name caught on and on January 9, 1944, the Legion released the plan to the press.[16]

Among other things, the G.I. Bill provided for one year of schooling for all veterans with 90 days of service and who were not over 25 years of age upon entering the service. Additionally, a veteran was entitled to additional educational benefits equal to the number of months of active duty, but not to exceed a maximum of 48 months. Veterans over the age of 25 when entering the service, would have to demonstrate that their education was interrupted by military service to be eligible for educational benefits. Benefits included payment for all fees, tuitions, books, and supplies up to a maximum of $500 per school year. A monthly subsistance allowance of $50 for single veterans and $75 for married veterans was also provided.[17]

The Veterans Administration was given the responsibility of determining the eligibility of the veteran to receive benefits, while the individual schools were responsible for evaluating the veteran's qualifications for admission. A veteran had the choice of which school he or she wished to attend, with the limitation that the school be accredited by the appropriate state education agency. There was considerable concern by all parties involved in passing the G.I. Bill to insure that the government in no manner whatsoever would control or influence state educational rights.[18]

On June 22, 1944, President Franklin D. Roosevelt signed the G.I. Bill into law (Servicemen's Readjustment Act).[19] Two additional bills (Korean and Post-Korean Bills) would follow, thereby enabling approximately 17.1 million persons to obtain educational and vocational assistance at a cost of 43.5 billion dollars, as of September 30, 1977.[20]

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[16] *Ibid.*, p. 16.

[17] *Ibid.*, p. 17.

[18] *Ibid.*, p. 18.

[19] *Ibid.*, p. 17.

[20] Reports and Statistics Service Office of the Controller, Veterans Administration, *Veteran's Benefits Under Current Educational Programs, Information Bulletin*, April, 1977 (Washington: Government Printing Office, 1977), p. 21.

Government officials, faculty, and administrators maintained an attitude of caution or even fear over how the returning veteran would adjust to his new academic environment. This apprehension however, was soon to be set aside as veterans broke every enrollment record and made the unusual commonplace.

The G.I. Bills will be marked as one of the greatest impetuses to increasing access to higher education that this country has or perhaps will ever provide, rivaled only by the Morril (Land Grant College) Act of 1862.

BENEFITS AVAILABLE

PUBLIC LAW 346:
THE SERVICEMEN'S READJUSTMENT ACT OF 1944
(WORLD WAR II G.I. BILL

Public Law 346, Seventy-eighth Congress, The Servicemen's Readjustment Act (approved June 22, 1944) provided the opportunity for eligible nondisabled veterans to obtain educational or occupational readjustment. The purpose of the Bill was to enable returning veterans an opportunity to recapture educational opportunities lost by reason of entrance into the service. Any eligible veteran could enter a course of his choice in an approved educational institution or training establishment that would accept him as qualified for such courses.[21]

For the education and training of veterans, the Veteran's Administration used accredited and approved educational institutions along with established business and industrial concerns. Educational institutions included universities and colleges, professional and technological institutions, technical institutes, trade and business schools both private and public, junior colleges, secondary schools, and correspondence courses.

The educational benefits afforded a veteran depended upon the length of time spent in service. The final educational title provided one year of schooling to those veterans who had served at least 90 days and who were not over 25 years old at the time of entry into the service.

Additionally, veterans were entitled to a period of education beyond the first year, equal to the time they had spent on active duty. Therefore, a veteran who had served three years could attend college for a year under the first provision and for three additional years under the second. Those veterans who were over 25 at the time of entry into the service first had to demonstrate that their education had been interrupted or impeded to qualify for benefits. The maximum amount of schooling provided to any veteran by the Bill was four years.[22]

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[21] Administrator of Veteran's Affairs, Annual Report for the Fiscal Year Ended June, 1945 (Washington: Government Printing Office, 1945), p. 16.

The Bill also provided for the payment of all fees, tuition, books, and supplies up to a maximum of $500 per school year. Veterans could also obtain a monthly subsistance allowance ($50 for the single veteran and $75 for married veterans) while in school.

Public Law 268 liberalized the education and training program authorized by Public Law 346, The Servicemen's Readjustment Act of 1944. Veterans over 25 at the time of entering the service no longer had to demonstrate that his or her entrance into the armed forces had "impeded, delayed, interrupted, or interfered with" the veteran's education. Public Law 268 further authorized intensive postgraduate or training courses with a duration of less than 30 weeks for which the tuition rate of $500 per school year may be exceeded. It also authorized veterans to take correspondence courses without subsistance allowance. It increased to four years from the date of discharge or the termination of the war, whichever were later, the period in which education or training must be started, and from seven to nine years time for its completion.[23]

PUBLIC LAW 550: VETERAN'S READJUSTMENT ASSISTANCE ACT OF 1952 (KOREAN G.I. BILL)

The World War II G.I. Bill was the first but certainly not the last bill to provide educational benefits to veterans. Less than two weeks after the start of the Korean Conflict, the machinery was turning to extend the benefits of the World War II Bill to veterans of the Korean Conflict.[24]

The benefits provided under the Korean Bill differed from those under the World War II Bill. Under the Korean Bill, veterans were entitled to a day and a half of training for each day served; the automatic first year of benefit was dropped. The maximum entitlement afforded veterans was 36 months, unlike the World War II Bill, which provided 48 months.[25]

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[22] Ibid., p. 24.

[23] Administrator of Veteran's Affairs, Annual Report for the Fiscal Year Ended June 1946 (Washington: Government Printing Office, 1946), p. 28.

[24] Keith W. Olsen, The G.I. Bill, The Veterans, and The Colleges (The University Press of Kentucky, 1974), p. 104.

Perhaps, even more significant was the change from paying for tuition, books, supplies, and various fees for the enrolled veteran. Instead, a veteran was given a monthly amount out of which he or she was required to pay his own tuition, books, fees, etc., with the remainder for his general support.[26]

Monthly subsistance payments under the Korean Bill were higher than they had been for World War II veterans: $110, $135, and $160 versus $75, $105, and $120, for a single veteran, veteran with one dependent, and a veteran with more than one dependent, respectively. However, the increase did not offset the higher cost of education or the abolition of the $500 tuition payment.[27]

The changes in benefits embodied in the Korean Bill drew on the experience gained in administering the World War II Bills. The Veteran's Administration and various other committees found that administrative problems and abuses had developed with the former method for payment of tuition, books, and fee payments, and the modifications described above were designed to remedy these difficulties.

PUBLIC LAW 89-358:
VETERAN'S READJUSTMENT ACT OF 1966
(POST-KOREAN G.I. BILL)

Public Law 89-358 was approved by Congress on March 3, 1966 and provided for readjustment education and training for veterans who had served in the military after January 31, 1955. Benefits afforded veterans were less generous than the World War II and Korean Bills. Veterans had to have 180 days of service to qualify for benefits, unlike the Korean Bill which required only 90 days. Benefits accrued at the rate of a day of benefits for each day of service after January 31, 1955; in contrast, the Korean Bill granted a day and a half of benefits for each day of service. Initially, the 1966 Bill provided for benefits up to a maximum of 36 months. Public Law 94-502, enacted October 15,

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[25] Ibid., p. 105.

[26] Ibid.

[27] Ibid.

1976 among other things, increased the basic educational assistance eligibility from 36 to 45 months.[28]

There was no cutoff date for the starting of a course, but benefits would not be paid after eight years from the date of the veteran's discharge or separation from active duty, whichever were later. The eight year delimiting date was extended to ten years by Public Law 93-337 in 1974.[29]

The benefits initially provided for a monthly allowance of $100 or the cost of a course, whichever were less, for veterans still on active duty. This was an improvement over prior bills, since previously veterans on active duty did not qualify for benefits. Single veterans not on active duty enrolled in full time training received $100, $125 if there were one dependent and $150 if there were more than one dependent.[30] The initial benefits were increased several times over the years; these increased benefits are outlined in Table 1.

Congress made the provisions of the Vietnam G.I. Bill more limited than the World War II and Korean Bill, reflecting a stronger economy in 1966 compared to 1944 and 1952, greater educational opportunities within the military services, and a general concern by the Department of Defense that such legislation would serve as an inducement to leave military service after accruing the necessary seniority.[31]

Additionally, an educational program was provided for survivors or dependents of those veterans who died from service-connected causes or whose service-connected disability was rated permanent or total. Spouses and children of service personnel missing in action or interned by hostile forces for more than 90 days also qualified for educational benefits. Benefits are provided for up to 36 months of full-time training in approved schools and on-the-job training programs.[32]

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[28] Reports and Statistics Service Office of the Controller, Veteran's Administration, Veteran's Benefits Under Current Educational Programs, Information Bulletin, April 1977 (Washington: Government Printing Office, 1977), p. 1.

[29] Administrator of Veteran's Affairs, Annual Report 1976 (Washington: Government Printing Office, 1976), p. 74.

[30] Administrator of Veteran's Affairs, Annual Report 1975 (Washington: Government Printing Office, 1975), p. 5.

[31] Keith W. Olsen, The G.I. Bill, The Veteran's, and The Colleges (The University Press of Kentucky, 1974), p. 108.

[32] Reports and Statistics Service Office of the Controller, Veteran's Administration, Veteran's Benefits Under Current Educational Programs, Information Bulletin, April 1977 (Washington: Government Printing Office, 1977), p. 28.

TABLE 1

Post Korean G.I. Bill
CHRONOLOGY OF EDUCATIONAL ASSISTANCE RATES

Law and Type of Course	Single Veteran	Veteran and 1 Dependent	Veteran and 2 Dependents	Additional Dependents
Public Law 89-358, June 1, 1966				
Full-Time Institutional	$ 100	$ 125	$ 150	--
Public Law 90-77, October 1967				
Full-Time Institutional	130	155	175	$ 10
Full-Time Cooperative Farm	105	125	145	7
Full-Time On-Job Training	80	90	100	--
Public Law 91-219, February 1, 1970				
Full-Time Institutional	175	205	230	13
Full-Time Cooperative Farm	141	165	190	10
Full-Time On-Job Training	108	120	133	--
Public Law 92-540, October 1, 1972				
Full-Time Institutional	220	261	298	18
Full-Time Cooperative Farm	177	208	236	14
Full-Time On-Job Training	160	179	196	8
Public Law 93-508, December 3, 1974 Retroactive to September 1, 1974				
Full-Time Institutional	270	321	366	22
Full-Time Cooperative Farm	217	255	289	17
Full-Time On-Job Training	189	212	232	9
Public Law 93-602, January 1, 1975				
Full-Time On-Job Training	196	220	240	10
Public Law 94-502, October 1, 1976				
Full-Time Institutional	292	347	396	24
Full-Time Cooperative Farm	235	276	313	18
Full-Time On-Job Training	212	238	260	11

Public Law 94-502 provided an educational assistance program for persons who entered on active duty after December 31, 1976 (post-Vietnam era veterans). It sought to assist young men and women to obtain an education they might not otherwise be able to afford, and to promote and assist the all-volunteer military program of the United States by attracting qualified persons to serve in the Armed Forces. To qualify for the program, an individual had to have served at least 180 days and been released under conditions other than dishonorable and participated in a payroll deduction plan whereby the individual had set aside from $50 to $75 a month which the Veteran's Administration matched on a two for one basis when the individual entered training.[33] This program is different than the previous G.I. Bills under which the veteran did not have to contribute any of his own funds.

PARTICIPATION

From June 1944 to April 1977, over 17.1 million trainees received benefits under one of the G.I. Bills. Included in the 17.1 million were 7.8 million (45.6 percent) under the World War II Bill, nearly 2.4 million (14.0 percent) under the Korean Bill, and more than 6.9 million (40.0 percent) under the Post-Korean Bill (Vietnam Bill).[34]

The estimated peak veteran population in the United States from which trainees were drawn under each of the three G.I. Bills were: 15,440,000 under the World War II Bill, 5,509,000 under the Korean Bill, and 11,610,000 under the Post-Korean Bill as of April 1977. The total trained as of April 1977, under the World War II, Korean, and Post-Korean Bills were: 7,800,000, 2,391,000, and 6,915,037 (of which 773,854 were service personnel), respectively. This amounted to a 50.5 percent trained under the World War II Bill, a 43.4 percent under the Korean Bill, and a 59.6 percent under the Post-Korean Bill. The estimated peak veteran population for the State of New York under the three Bills were: 1,609,000 under the World War II Bill, 514,000 under the Korean Bill, and 849,000 under the Post-Korean Bill, as of September 1977.[35] The following table outlines the veteran population for the United States and the State of New York under the three G.I. Bills.

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[33] *Ibid.*

[34] *Ibid.*, p. 21.

[35] *Ibid.*, p. 61.

ESTIMATED PEAK VETERAN POPULATIONS FROM WHICH TRAINEES WERE DRAWN UNDER EACH OF THE THREE G.I. BILLS

(In Thousands)

	World War II	Korean Conflict	Post-Korean (1)
United States - total	15,440	5,509	11,610 (2)
New York State - total	1,609	514	849 (3)

(1) Service between February 1, 1955 and December 31, 1976.

(2) As of April 1977.

(3) As of September 1977.

The number of veterans who received educational assistance under each of the G.I. Bills while training in New York were: 790,000 under the World War II Bill, 202,000 under the Korean Bill, and 383,889, as of September 1977, under the Vietnam bill (of which 10,576 were service personnel).[36]

VETERANS WHO RECEIVED EDUCATIONAL ASSISTANCE UNDER EACH OF THE THREE G.I. BILLS WHILE IN THE STATE OF NEW YORK

World War II Bill	Korean Bill	Vietnam Bill
790,000	202,000	383,889

As of the end of April 1977, a total of 773,854 persons, had been trained under the current G.I. Bill while on active duty but had not later trained as veterans. A breakdown of the total by trainee category shows that: 276,564 (35.7 percent) were resident school or college trainees, 263,023 (34.0 percent) trained in other resident schools, and 234,267 (30.3 percent) took correspondence courses.[37]

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[36] Reports and Statistics Service Office of the Controller, Veteran's Administration, February 1, 1978, Table 3 & 4 (Washington: Government Printing Office, 1978).

[37] Reports and Statistics Service Office of the Controller, Veteran's Administration, Veteran's Benefits Under Current Educational Programs, Information Bulletin, April 1977 (Washington: Government Printing Office, 1977), p. 17.

Dependents' educational assistance was provided to 69,297 persons under the current G.I. Bill, as of the end of April 1977. Sons and daughters contributed 57,517 or 83.0 percent to the total, while spouses and widows(ers) were 11,780 or 17.0 percent.[38]

The Vietnam Era (service between June 1966 and April 1977) veteran population under the current G.I. Bill was approximately 8,533,000 as of April 1977. Under the current G.I. Bill, California had the largest Vietnam Era veteran population of 966,000 veterans, compared to 603,000 for the State of New York. California had the largest participation rate of 70.7 percent of 683,000 trainees, while New York had a participation rate of 51.5 percent or 310,000 Vietnam Era veterans who received training.[39] For a breakdown of participation rates for Vietnam Era veterans by state and type of training through April 1977. (See Table 2.)

COST OF EDUCATIONAL ASSISTANCE PROGRAMS

The estimated cost for educational benefits under each of the three bills were: $14.5 billion under the World War II Bill; $4.5 billion under the Korean Bill; and $24.5 billion under the Post-Korean Bill as of September 1977. Of the total expenditures under each of the bills, New York State trainees received $1.2 billion under the World War II Bill; $0.3 billion under the Korean Bill; and $1.3 billion under the Post-Korean Bill, as of September 30, 1977. These figures are outlined in the table below.[40]

ESTIMATED G.I. BILL COSTS FOR ALL U.S. TRAINEES
AND FOR THOSE WHO TRAINED IN THE STATE OF NEW YORK
(In Billions)

	World War II	Korean Conflict	Post-Korean Conflict
United States - total	$14.5	$4.5	$24.5
New York State - total	1.2	0.3	1.3

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[38] Ibid., p. 24.

[39] Ibid., p. 56 & 57.

[40] Reports and Statistics Service Office of the Controller, Veteran's Administration, February 1, 1978, Table 1 (Washington: Government Printing Office, 1978).

TABLE 2

PARTICIPATION RATE FOR VIETNAM ERA VETERANS BY STATE AND TYPE OF TRAINING

Cumulative Through April 1977

	Veteran Population (000's)	TRAINEES					
			Percent of Veteran Population				
		Total Trainees (000's)	Total	College	Other Residence Schools 1/	On-Job Training	Correspondence
GRAND TOTAL	8,533	4,745	55.6%	34.4%	9.2%	5.0%	7.0%
North Dakota	18	17	96.2	50.3	20.2	15.4	10.2
South Dakota	19	17	87.4	51.1	15.9	9.6	10.8
Hawaii	34	29	85.3	55.9	12.7	10.0	6.7
New Mexico	40	31	77.9	46.1	17.0	5.3	9.6
Arizona	92	69	75.3	56.0	7.5	5.4	6.4
California	966	683	70.7	54.7	7.7	3.7	4.6
Alabama	120	85	70.5	40.3	20.0	5.9	4.4
Colorado	118	81	68.3	45.0	10.4	4.4	8.5
South Carolina	107	73	67.9	37.2	18.5	7.0	5.3
North Carolina	190	129	67.8	40.2	14.8	7.9	5.0
Washington	193	119	61.9	41.0	9.6	4.4	6.9
Montana	29	18	61.5	34.0	10.7	9.7	7.1
Wyoming	14	8	60.3	38.4	5.3	7.8	8.9
Tennessee	159	95	60.0	33.1	13.6	5.3	8.0
Nebraska	60	36	59.9	33.4	10.4	9.1	7.0
Mississippi	61	36	59.8	33.4	13.3	7.0	6.1
Florida	318	189	59.5	36.7	11.8	4.6	6.4
Louisiana	125	74	58.8	29.0	14.9	8.5	6.5
Oklahoma	121	71	58.5	37.8	12.0	3.7	5.0
Georgia	204	119	58.4	28.0	19.8	5.4	5.2
Texas	484	279	57.6	39.4	8.6	3.3	6.2
Nevada	27	16	57.5	36.2	10.5	3.6	7.1
Arkansas	73	42	57.5	26.9	18.7	6.5	5.4
Maine	41	24	57.5	30.3	10.6	9.6	7.0
Idaho	31	18	57.4	36.7	5.1	5.4	10.2
Delaware	25	14	57.2	34.5	7.5	4.2	10.9

TABLE 2
(continued)

	Veteran Population (000's)	TRAINEES						
		Total Trainees (000's)	Percent of Veteran Population					
			Total	College	Other Residence Schools 1/	On-Job Training	Corres-pondence
West Virginia	61	35	56.9%	29.6%	9.5%	8.8%	9.0%
Kansas	89	50	56.4	34.9	10.0	4.1	7.3
Missouri	196	110	56.1	32.5	10.6	5.0	8.1
U.S. - State Total Avg.	8,436	4,717	55.9	34.6	9.2	5.1	7.0
Rhode Island	43	23	54.3	36.7	7.4	5.7	4.5
Virginia	205	111	54.1	34.1	6.6	5.5	7.9
Kentucky	116	62	53.8	30.8	9.8	4.0	9.1
Utah	53	28	53.3	38.5	3.3	3.5	8.0
Michigan	353	188	53.2	32.8	6.6	4.4	9.4
Oregon	112	59	52.9	37.4	5.5	5.1	4.9
New York	603	310	51.5	31.9	7.1	6.0	6.6
Minnesota	179	91	50.9	24.0	13.3	7.2	6.5
Alaska	16	8	50.8	29.8	11.0	4.7	5.3
Wisconsin	175	88	50.5	26.2	7.8	5.7	10.7
Illinois	416	206	49.4	30.9	6.4	4.7	7.4
Iowa	108	53	49.2	24.3	10.5	4.4	9.9
New Hampshire	37	18	48.7	30.3	4.7	7.2	6.5
Maryland	185	86	46.4	29.3	6.7	4.3	6.1
Ohio	434	195	44.8	24.6	6.7	4.3	9.2
Massachusetts	245	107	43.7	30.4	5.9	3.4	4.1
Connecticut	125	55	43.6	24.5	5.6	7.5	6.1
Pennsylvania	472	204	43.3	20.1	7.6	5.4	10.1
Indiana	220	95	43.2	20.4	7.0	5.1	10.7
New Jersey	280	109	39.0	22.3	6.2	4.1	6.4
Puerto Rico	46	18	39.0	26.0	11.1	0.9	0.9
Vermont	20	7	36.6	17.5	3.7	8.7	6.7
District of Columbia	24	47	NA	NA	NA	NA	NA
All Other	51	10	20.4	16.9	1.7	0.8	1.0

1/ The Other Residence Schools percentage is derived by subtracting the correspondence percentage from the Other Schools percentage. This percentage will be slightly understated due to the small number of college level training contained in correspondence (about one percent).

For a comparison of participation rates and costs for World War II, Korean Conflict, and Post-Korean Conflict, Peacetime post-Korean Conflict and Vietnam-era veterans through April 1977. (See Table 3.)

New York State trainees received 8.3 percent of the World War II funds, 6.6 percent of the Korean Conflict funds, and 5.3 percent of the Post-Korean funds through April 1977.

PRIOR EDUCATIONAL ATTAINMENT

The number of high school graduates, including those who successfully passed the General Educational Development Test prior to entry into training, increased from 54.8 percent for World War II G.I. Bill trainees, and then increased again to 86.1 percent for Vietnam G.I. Bill trainees. The percentage of those receiving benefits who had one or more years of college increased under the Korean G.I. Bill compared to the World War II G.I. Bill and then decreased under the Vietnam Bill. The table below outlines the relationship.[41]

PERCENTAGE OF TRAINEES WHOSE PRIOR EDUCATIONAL LEVEL WAS HIGH SCHOOL OR MORE
(THREE G.I. BILLS)

	High School Graduate or More	One or More Years of College
World War II G.I. Bill	54.8%	16.3%
Korean Conflict G.I. Bill	71.0	26.5
Vietnam G.I. Bill	86.1	19.2

There continues to be a higher percentage of high school graduates training under the current G.I. Bill than was the case under either the World War II or Korean Conflict Bills. However, that percentage has decreased in recent years. The percentage of high school graduates benefitting from the Post-Korean G.I. Bill as of November 1973, was 89.0 percent, but as of April 1977 that percentage had dropped to 86.1 percent. Part of the reduction was the result of the recent surge in G.I. Bill participation by the

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[41] Reports and Statistics Service Office of the Controller, Veteran's Administration, *Veteran's Benefits Under Current Educational Programs, Information Bulletin*, April 1977 (Washington: Government Printing Office, 1977), p. 24.

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TABLE 3

THREE GI BILLS

COMPARISON OF PARTICIPATION RATES & COSTS FOR WORLD WAR II, KOREAN CONFLICT, POST-KOREAN CONFLICT, PEACETIME POST-KOREAN & VIETNAM ERA VETERANS

			POST-KOREAN CONFLICT		
	World War II June 1944 - End of Program	Korean Conflict Sept. 1952 - End of Program	Post-Korean June 1966 - April 1977	Peacetime Post-Korean [1/] June 1966 - April 1977	Vietnam Era June 1966 - April 1977
Veteran population	15,440,000	5,509,000	11,610,000	3,077,000	8,533,000
Total trained	7,800,000	2,391,000	6,915,037 [2/]	1,395,691 [2/]	5,519,346 [2/]
Percent	50.5%	43.4%	59.6%	45.4%	64.7%
School trainees	5,710,000	2,073,000	6,373,746	1,312,283	5,061,463
Percent	37.0%	37.6%	54.9%	42.7%	59.3%
College	(2,230,000)	(1,213,000)	(3,950,633)	(736,631)	(3,214,002)
Percent	(14.4%)	(22.0%)	(34.0%)	(23.9%)	(37.7%)
Other schools	(3,480,000)	(860,000)	(2,423,113)	(575,652)	(1,847,461)
Percent	(22.5%)	(15.6%)	(20.9%)	(18.7%)	(21.7%)
On-job trainees	1,400,000	223,000	492,351	63,694	428,657
Percent	9.1%	4.0%	4.2%	2.1%	5.0%
Farm trainees	690,000	95,000	48,940	19,714	29,226
Percent	4.5%	1.7%	0.4%	0.6%	0.3%
Cost (In Billions)	$ 14.5	$ 4.5	$ 23.4	-	-

[1/] Service after January 31, 1955 but no service after August 4, 1964.

[2/] Includes 773,854 service personnel.

educationally disadvantaged, many of whom lacked this high school credential.[42]

A higher number of sons and daughters, approximately nine out of ten, had attained a high school diploma prior to entering training. As of April 1977, it is estimated that 9.6 percent had some college when applying for benefits. On the other hand, as of April 1977, 22.8 percent of the eligible spouses did not have a high school diploma or equivalent when they first applied for training, while 15.5 percent had one or more years of college. Of all the persons who had completed high school at the time of applying for benefits, 75.1 percent were in training at the college level.[43] For a breakdown of prior educational attainment for all persons trained at any time between October 1967 and April 1977. (See Table 4.)

LEVEL OF TRAINING

Under the three G.I. Bills combined, nearly 7.4 million or 43.2 percent of the trainees received training at the college level, through April 1977. Nearly 6.8 million or 39.5 percent were at non-college schools; over 2.1 million or 12.4 percent trained on-the-job; and nearly 834,000 or 4.9 percent were farm trainees.[44] Under the World War II Bill, non-college trainees constituted the largest group; this trend reversed itself and under the Korean and Post-Korean Bills college level trainees became the predominant group.

As of April 1977, the percentage of trainees at the college level out of the total veteran population eligible under the three bills were: 14.4 percent under the World War II Bill, 22.0 percent under the Korean Bill, and 34.0 percent under the Vietnam Bill (Post-Korean Bill). Under the current G.I. Bill, 23.9 percent and 37.7 percent were post-Korean and Vietnam era veterans, respectively. When those who last trained as service personnel are excluded, the college training utilization rates under the current G.I. Bill decreases to 31.6 percent for Post-Korean Conflict veterans in general and 34.4 percent for Vietnam era veterans.[45]

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[42] *Ibid.*

[43] *Ibid.*, p. 25.

[44] *Ibid.*, p. 21.

[45] *Ibid.*

TABLE 4

ALL PERSONS EVER TRAINED -- OCTOBER 1967 THROUGH APRIL 1977 1/

Type of Training by Training Time & Prior Educational Attainment

		FULL TIME				PART TIME				
						College		Other Residence Schools		
Prior Educational Attainment	TOTAL	College	Other Residence Schools	On-Job Training	Coop.	1/2 and 3/4 Time	Less than 1/2 Time	1/2 and 3/4 Time	Less than 1/2 Time	Correspondence
TOTAL	264,283	169,224	36,677	1,064	367	42,629	6,932	6,088	699	603
Not a high school graduate	52,370	27,630	14,266	242	69	6,423	899	2,466	171	204
High school graduate	180,568	120,053	21,100	755	258	29,741	4,500	3,356	458	347
One or more years of college	31,345	21,541	1,311	67	40	6,465	1,533	266	70	52
SONS & DAUGHTERS	220,475	152,149	25,714	958	351	31,967	4,745	4,234	357	--
Not a high school graduate	41,324	25,383	8,167	205	66	5,149	736	1,537	81	--
High school graduate	155,514	109,060	16,634	690	246	22,865	3,251	2,518	250	--
One or more years of college	23,637	17,706	913	63	39	3,953	758	179	26	--
SPOUSES & WIDOWS(ERS)	43,808	17,075	10,963	106	16	10,662	2,187	1,854	342	603
Not a high school graduate	11,046	2,247	6,099	37	3	1,274	163	929	90	204
High school graduate	25,054	10,993	4,466	65	12	6,876	1,249	838	208	347
One or more years of college	7,708	3,835	398	4	1	2,512	775	87	44	52

1/ These data are exclusive of 78,447 sons and daughters who terminated training prior to October 1967 and for which detailed data are not available. The totals ever trained are 342,730 Grand Total, and 298,922 Total sons and daughters.

The table below outlines the percentages of trainees who were receiving benefits at the college level under the three G.I. bills, and among different trainee categories under the current G.I. Bill. As of April 1977, the percentage of trainees at the college level were more than twice the participation rate for college level trainees under the World War II Bill.[46]

PERCENTAGE OF TRAINEES WHO TRAINED IN COLLEGE
CURRENT G.I. BILL (THROUGH APRIL 1977)

World War II Veterans	Korean Conflict Veterans	Total	Peacetime Post-Korean Veterans	Vietnam Era Veterans	Service Personnel
28.6%	50.7%	57.1%	52.8%	61.9%	35.8%

The higher proportion of college level training under the Korean and current G.I. bills is due to several factors, some of which are: a higher level of education before entering training, greater educational expectations from trainees on the part of prospective employers, an increase in junior college enrollment, thereby expanding higher educational opportunities to a greater part of the population, and an expansion by higher education to include some vocational and technical training not previously offered by colleges for academic credit.[47]

A total of 1,180,206 trainees were in training as of April 1977. The various levels of training included 855,558 at the college level, of which 90,490 were graduate students, 760,550 were undergraduate students, 4,518 were non-degree students. Other resident schools had an enrollment of 151,196 which included 85,207 receiving vocational/technical training, 19,031 at the high school level, 23,145 receiving flight training and 23,813 enrolled in a cooperative farm program.[48]

Under the World War II G.I. Bill, 790,000 trainees attended training in the State of New York: 263,000 at the college level, 426,000 attending other schools, 9,000 farm trainees, and 92,000 receiving on-the-job training. The Korean G.I. Bill trainees in the State of New York amounted to 202,000: 110,000 at the college level, 73,000 attending other schools, and 19,000 on-the-job trainees. New York State experienced a higher number of trainees under the post-Korean Bill than under the prior two bills:

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[46] Ibid., p. 23.

[47] Ibid.

[48] Ibid., p. 33.

383,889 trainees as of September 1977. Of the total, 373,313 were veterans and 10,576 were service personnel. College level trainees numbered 234,440 of which 42,315 were at the graduate level, 84,539 attended junior college, and 107,586 were undergraduate students. Vocational and technical schools had 99,282 trainees, 6,806 received high school training, 3,627 flight training, and 39,734 on-the-job training.[49] Table 5 outlines the number of trainees receiving training in the State of New York by type of training as of September 30,1977.

Of the 6,915,037 trainees under the post-Korean G.I. Bill as of April 1977, 3,346,594 received full time training, 2,414,950 part time, and 1,153,493 correspondence training. College level trainees accounted for 3,950,633 or 57.1 percent of which 2,121,995 were full time students, 1,819,219 were part time, and 9,419 were taking correspondence training. The greatest number of college level trainees were at the undergraduate level 3,265,738, followed by 586,001 graduate level trainees, and 98,894 non-degree candidates. For a further breakdown of trainees under the post-Korean Bill by type of training.[50] (See Table 6.)

CONCLUSION

The mid 1940's introduced an era by the passage of the first G.I. Bill, an act that changed the course of higher education for the generations of students to follow. The veteran students over-shadowed their non-veteran classmates, dominated American campuses, and surprised prognosticators.

> Faculty and administrators, overcoming caution and even fear, hailed them collectively as the best college students ever. Undeniably, they differed more from the students they succeeded and preceded than has any generation in the history of American higher education.[51]

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[49] Reports and Statistics Service Office of the Controller, Veteran's Administration, *February 1, 1978, Table 4* (Washington: Government Printing Office, 1978).

[50] Reports and Statistics Service Office of the Controller, Veteran's Administration, *Veteran's Benefits Under Current Educational Programs, Information Bulletin*, April 1977 (Washington: Government Printing Office, 1977), p. 36.

[51] *Ibid*., p. 43.

TABLE 5

NUMBER OF VETERANS AND SERVICE PERSONNEL WHO TRAINED UNDER THE POST-KOREAN GI BILL IN THE STATE OF NEW YORK BY TRAINING CATEGORY

(September 30, 1977)

	Total	Veterans	Service Personnel
TOTAL TRAINEES	383,889	373,313	10,576
College - Total	234,440	229,899	4,541
Graduate	42,315	40,350	1,965
Junior college	84,539	83,273	1,266
Other undergraduate	107,586	106,276	1,310
Other schools - Total	109,715	103,680	6,035
Vocational-technical (post-high school)	6,348	5,853	495
Other vocational-technical	92,934	87,781	5,153
High school	6,806	6,562	244
Flight	3,627	3,484	143
On-job training - Total	39,734	39,734	--
Apprentice	17,637	17,637	--
Other	22,097	22,097	--

TABLE 6

Post Korean G.I. Bill

ALL PERSONS EVER TRAINED

Level of Training Showing Full Time and Part Time - April 1977

LEVEL OF TRAINING	TOTAL ALL TRAINEES				ALL VETERANS				PEACETIME POST-KOREAN VETERANS			
	Total	Full Time	Part Time	Correspondence	Total	Full Time	Part Time	Correspondence	Total	Full Time	Part Time	Correspondence
TOTAL - All Levels	6,915,037	3,346,594	2,414,950	1,153,493	6,141,183	3,157,029	2,064,928	919,226	1,395,691	543,552	527,913	324,226
College - Total	3,950,633	2,121,995	1,819,219	9,419	3,673,247	2,033,972	1,630,678	8,597	736,631	353,134	380,757	2,740
Graduate	586,001	327,341	257,448	1,212	504,666	300,025	203,527	1,114	144,003	75,466	68,264	273
Undergraduate	3,265,738	1,759,345	1,503,228	3,165	3,109,562	1,706,955	1,399,747	2,860	578,835	273,390	304,464	981
Non degree	98,894	35,309	58,543	5,042	59,019	26,992	27,404	4,623	13,793	4,278	8,029	1,486
Other schools - Total	2,472,053	732,248	595,731	1,144,074	1,975,585	630,706	434,250	910,629	595,366	126,724	147,156	321,486
Vocational or tech. post high school	394,301	146,394	87,223	160,684	349,158	145,050	84,186	119,922	95,608	26,557	25,038	44,013
Other vocational or technical	1,536,832	381,096	187,746	967,990	1,333,178	376,041	180,714	776,423	394,086	68,983	52,869	272,234
High school	350,450	157,125	177,925	15,400	122,073	61,982	45,807	14,284	27,885	11,997	10,649	5,239
Flight training	141,530	--	141,530	--	122,236	—	122,236	--	58,073	—	58,073	--
Cooperative farm	48,940	47,633	1,307	—	48,940	47,633	1,307	--	19,714	19,187	527	--
On-job training - Total	492,351	492,351	--	--	492,351	492,351	--	--	63,694	63,694	--	—
Apprentice	253,012	253,012	--	—	253,012	253,012	--	--	37,153	37,153	--	--
Other	239,339	239,339	--	—	239,339	239,339	--	—	26,541	26,541	--	--

The passage of the World War II G.I. Bill had a profound effect upon the enrollment level at the privately controlled institutions. In the fall of 1948, the majority of veteran males were enrolled in private institutions, while the majority of non-veteran men registered at publicly controlled institutions. Veterans rushed to the better known "ivy league" schools and technical schools. Only as a last resort did they turn to the junior college, teachers colleges, and lesser-known small liberal art schools.[52]

These veterans left a heritage to the college generations that followed. The veteran student brought to the campus a level of maturity, sensitivity, insight, and purpose that shaped the atmosphere for all of his peers who would follow. Married students became an accepted part of academic life; heretofore marriage would certainly have meant ostracism if not expulsion from the academic community.

Veteran's legislation also demonstrated the feasibility of a massive federal-aid program to higher education. While at the same time it did not infringe upon or impede the rights of the institutions or the states to govern their own programs. Veterans demanded no fundamental structural change in the university's administration, organization, or academic process; their influence and importance remains in their performance.

It is difficult if not impossible to assess accurately how many veterans would otherwise have attended college, absent the veterans' legislation. The Veteran's Administration made no survey and kept no statistics to justify a hypothesis. Two educators, NOrman Frederiksen and William B. Schrader, devoted considerable effort to the subject. In an authoritative study they concluded that "about ten percent" of the veterans definitely would not have attended college without the World War G.I. Bill and "another ten percent would probably not have."[53]

With the passage of the World War II Bill, New York State, more so than all the other states, was faced with a crisis to accomodate the higher educational demands of veterans. After World War II, New York State had approximately ten percent of the country's veteran population. The State traditionally relied upon the private colleges and universities to provide education to its youth. Many veterans entered private institutions since tuition was paid for by the government.

Governor Thomas E. Dewey realizing the problem, asked the state legislature to establish a Temporary Commission of the

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[52] Ibid., p. 45.

[53] Ibid., p. 47.

Need of a State University. The legislature complied, and following a lengthy study submitted its final report on February 16, 1948. Approximately, six weeks later Governor Dewey signed into law a bill authorizing the creation of the State University of New York.[54]

I believe it could be said that administrators, faculty, legislators, and of course the veterans themselves would agree that the passage of the original legislation granting educational benefits to veterans had a profound effect upon the quality of higher education and access to that education, especially in the State of New York.

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[54] Keith W. Olsen, The G.I. Bill, The Veterans, and the Colleges (The University Press of Kentucky, 1974), p. 71.

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CHAPTER 13

INSTITUTIONAL REGULATION UNDER PUBLIC POLICY, WITH FINANCIAL CONSEQUENCES: ACCREDITATION

Richard Nelson

LEGISLATIVE HISTORY OF ACCREDITATION

Following the Korean War, a great many U. S. servicemen shed their military garb and returned home. Their re-entry into the mainstream of American life was not going to be an easy one, for their vast ranks presented a challenge to the job market which was faced with having to absorb them.

In an effort to provide some relief, Congress enacted a series of programs designed to assist the returning veteran. Within the scope of this congressional effort, and no doubt one of the most important considerations, was the attention given by Congress to higher education. Not only was financial support to be given to veterans who chose to further their education, but also to the numerous institutions which possessed degree-granting powers.

The problem, as it soon was learned, was that institutions with degree-granting powers swiftly increased, mainly because of a desire to lure the returning soldiers. The federal government, as a result, felt that some precautionary measures had to be taken to curb abuse of its financial assistance programs. In order to place a controlling hand on the situation, and also to protect the unsuspecting veteran from diploma factories, a system of accreditation was begun on a large, cohesive scale. The following chronology of legislation should detail more fully the development of the accreditation schema.

The Veterans Readjustment Act of 1952 was the first major step in this direction.[1] Specifically focusing on the accreditation framework nationwide, "The chief executive of each state was requested to create or designate a State department or agency as the 'STate approving agency' for his state for the purposes of this title."[2] This section, (Part V, sec. 241(a)), goes on to specify that, "In the event any state fails or declines to create or designate a State approving agency, the provisions of this title which transfer to the state approving agency shall, with respect to such State, be deemed to refer to the Administration."[3]

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[1] Veterans Readjustment Act of 1952, Pub. L. 82-550 66 Stat. 663, (1952).

In essence, the Korean War G.I. Bill endeavored to create a more efficient communication network and, in the long run, to indirectly bolster the nation's educational system. This last observation is evidenced more in subsequent parts of the Act. Section 253 (a) called for the commissioner to

> publish a list of nationally recognized accrediting agencies and associations which he determines to be reliable authority as to the quality of training offered by an educational institution and the State approving agency may, upon concurrence, utilize the accreditation of such accrediting associations or agencies for approval of the courses specifically accredited and approved by such accrediting association or agency.[4]

Thus, one can see in the language of this Act the emergence of what is commonly referred to as "the Triad". Those parts which comprise the Triad are the federal government, (Office of Education), the State agencies, (in New York, the Regents of the University of the State of New York), and the non-governmental accrediting associations or agencies, (for New York, the Middle States Association of Colleges and Schools). In simple terms, it is the federal government which recognizes the various accrediting agencies and associations, and it is the State authority which accepts the chartering of institutions within the domain of that state. However, this is not necessarily a hard and fast rule, for the allocation of State and Federal funds is dependent upon many variables, such that accrediting standards may be required by both entities.

Consistent with the aforementioned directive from the legislature, the Office of Education set forth a schedule of criteria which it published in September of 1952.[5] In addition, the Veterans Readjustment Act of 1952 required the adherence by the Office of Education to certain guidelines in the recognition of courses not yet approved by a State agency.[6]

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[2] Ibid., Part V, Sec. 241(a)

[3] Ibid., Part V, Sec. 241(b)(1)

[4] Ibid., Part V, Sec. 253(a)

[5] 17 Federal Register 8929, (1952).

Debate has been raised concerning the level of government influence in the accreditation process, and some interest has been generated over the actual power held by private accrediting groups. One may infer, however, from the language of Section 102 of the National Defense Education Act of 1958 that Congress wished to keep a reasonable distance from involvement in the running of the nation's educational network. Consistent with the "Reserved Powers" clause of the Constitution, the opening paragraph states, "Nothing contained in this Act shall be construed to authorize any department, agency, officer, or employee of the United States to exercise any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution or school system."[7]

Because Federal funds were to be slated for institutions of higher education, it became necessary to define just what "institution of higher education" actually meant. From the perspective of accreditation, Section 103(b)(5) of the NDEA of 1958 reads, in part, "The term 'institution of higher education' means an educational institution in any State which...5) is accredited by a nationally recognized accrediting agency or association or, if not so accredited, is an institution whose credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited."[8]

Of special interest is that this Act once again requires that "For purposes of this subsection, the Commissioner (of Education) shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered."[9] The significance of this addition lies in its virtual repeat of the Korean G.I. Bill in calling upon the Commissioner to publish a list of accrediting agencies and associations. What had previously been legislative pioneering was gradually becoming established procedure.

Whereas the previous two pieces of legislation stemmed from defense-related considerations, the Higher Education Facilities Act of 1963 did not. In his article "Federal Reliance on Voluntary

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[6] V.A. Act, Part V, Sec. 254.

[7] National Defense Education Act of 1958, Pub. L. 85-864, 72 Stat. 1581, Sec. 102 (1958) (NDEA).

[8] Ibid., Sec. 103(b).

[9] Ibid.

Accreditation: The Power to Recognize as the Power to Regulate", Matthew W. Finkin identifies the Higher Education Facilities Act of 1963 as more of an "...aid to education measure as opposed to a catch-up for veterans or an emergency defense action and as such had a thorny path in Congress."[10]

In seeking to clarify, (and perhaps to expand), the scope of the Commissioner's authority, the House proposed that,

> In addition to the requirements set out in Section 103(b) of the NDEA... that for certain two year technical and semi-professional training, if the Commissioner determined there was no nationally recognized accrediting agency qualified to accredit the institution, the Commissioner of Education would appoint an advisory committee composed of persons specially qualified to evaluate the training provided by the institution.[11]

In view of these Congressional developments, Mr. Finkin remarked, "The picture that emerges simply reinforces the previously held assumption by Congress that the role of the Office of Education with respect to voluntary accreditation was to be essentially ministerial."[12] If Mr. Finkin is correct in his observation, it reaffirms the position that the federal government preferred to play a limited, albeit self-determined, role in matters of accreditation. Section 407 of the Higher Education Facilities Act of 1963 is almost identical to Section 102 of the NDEA of 1958, which details in what manner the Act may be construed in relation to institutions of higher education.[13]

Another important development contained in the Facilities Act of 1963, from an accreditation standpoint, is the expansion of the definition of "institution of higher education". Section 401(f)(5) cites a number of exceptions to the rule laid down five years previously in the NDEA, Section 103(b)(5). These exceptions, with certain qualifications, included two-year programs in engineering, mathematics, or the physical or biological sciences. Also, additional parameters were set in the event there was not an applicable nationally recognized accrediting agency or association.

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[10] Matthew W. Finkin, "Federal Reliance on Voluntary Accreditation: The Power to Recognize as the Power to Regulate," Journal of Law and Education (July, 1973), p. 352.

[11] H. R. Rep. No. 310, 88th Cong., 1st Sess. 2, 18 (1963).

[12] Finkin, op. cit., p. 355.

[13] Higher Education Facilities Act of 1963, Pub. L. 88-204, 77 Stat. 370 (1963), Sec. 407.

> If the Commissioner determines there is no nationally recognized accrediting agency or association qualified to accredit such institutions he shall, under Section 402(c), appoint an advisory committee, composed of persons specially qualified to evaluate training provided by such institutions, which shall provide the standards of content, scope, and quality which must be met in order to qualify such institutions for assistance under this Act and shall determine whether particular institutions meet such standards...[14]

In 1964, the NDEA of 1958 was amended to bring nursing education under the protective wing of the Office of Education. The pertinent language reads, "The term 'school of nursing' means a public or other non-profit collegiate or associate degree school of nursing."[15] This, incidentally, excludes the "diploma" or "hospital" schools of nursing.

The most noticeable development to date from the language of previous legislation was included in the Higher Education Act of 1965. To assist those institutions which were just starting or had only been operating for a short period of time, Congress made certain concessions to traditional criteria. For the purposes of this legislation, these institutions were to be known as "developing institutions." Section 103(b) of the NDEA of 1958 was amended to read, in part, that, for a developing institution not meeting other accreditation criteria, it may satisfy the definition of "institution of higher education" if it "...is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time..."[16]

It should be noted that in contrast to the wording of the Korean War G.I. Bill, which required the Commissioner to recognize only those institutions which he determined to be "reliable as to the quality of training offered," the amended version only called for "reasonable assurance." Further, the amended version established several more general guidelines upon which the Commissioner is to base any decision.

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[14] *Ibid.*, Sec. 401(f)(5).

[15] *National Defense Education Act*, Pub. L. 89-329 (1965).

[16] *Higher Education Act of 1965*, Pub. L. 89-329 (1965).

The Higher Education Amendments Act of 1968 basically supported the definitions of "institution of higher education" as spelled out in the Higher Education Act of 1965 and in the NDEA of 1958.[17] However, some changes were made with respect to the types of institutions which would fall under the official definitional language. Section 293(b) of the new Act was inserted as an amendment to the Higher Education Act of 1965 and stipulates, "The second sentence of such paragraph (a) is amended by striking out 'Such term also includes any business school or technical institution' and inserting in lieu thereof 'Such term also includes any school which provides not less than a one year program of training to prepare students for gainful employment in a recognized occupation'..."[18]

In 1972, Congress passed a number of amendments to prior legislation, particularly those revising the Higher Education Act of 1965. Section 121(a) of the Education Amendments of 1972 altered Title III of the 1965 Act. Broadening even further the term, "developing institution", the Educational Amendments of 1972 provided for the inclusion of those institutions which, if not accredited, or if there is no reliable authority as to the quality of training offered, "(D)(i)...is making a reasonable effort to improve the quality of its teaching and administrative staffs and of its student services; and (ii) is, for financial or other reasons, struggling for survival and isolated from the main currents of academic life."[19]

With regard to how the new legislation deals with the definition of "institution of higher education," the former usage was again repeated, which mandated either accreditation, "satisfactory assurance", or the benefit of credit transferability. A published list was also required of the Commissioner, as in the past. The mounting evidence seemed to indicate that the traditional language was indeed becoming increasingly entrenched as the basis upon which the Office of Education was, and still is, to decide questions of accreditation.

Developments since 1972 have been relatively minor. This may be due to the gradual acceptance of the existing role of the

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[17] Higher Education Amendments Act of 1968, Pub. L. 90-575, 82 Stat. 1005 (1968).

[18] Ibid., Sec. 293(b).

[19] Education Amendments of 1972, Pub. L. 92-318. 86 Stat. 235 (1972).

Office of Education; an acceptance of the niche which they have carved for themselves. One exception was an important policy statement issued by the Office of Education in August of 1974. This policy declaration was also incorporated under Title 45 of the DHEW (Public Welfare) Chapter 1, Part 149, and was entitled "Criteria for Recognition of National Accrediting Bodies and State Agencies."

Part 149 is divided into two separate but related subsections. Subpart A is called "Criteria for Nationally Recognized Accrediting Agencies and Associations." Subpart B, "Criteria for State Agencies," deals more with the Accreditation of public postsecondary vocational education via state agencies. As such it drifts too far from the main topic of accreditation of institutions of higher education and will not be considered here. Section 149.1, which deals with the "scope" of the policy statement (Subpart A), is more relevant to the subject at hand. It states:

> Accreditation of institutions or programs of institutions by agencies or associations nationally recognized by the U. S. Commissioner of Education is a prerequisite to the eligibility for Federal financial assistance of institutions under a wide variety of federally supported programs. The recognition of such agencies is reflected in lists published by the Commissioner in the Federal Register. Inclusion on such list is dependent upon the Commissioner's finding that any such recognized agency or association is reliable authority as to the quality of training offered. The Commissioner's recognition is granted and the agency or association is included on the list only when it meets the criteria established by the Commissioner and set forth in Sec. 149.6 of this part.[20]

Specific policy regarding the publication of the list, initial recognition, renewal of recognition, and the detailed regulations governing criteria, are then delineated throughout the remainder of Subpart A.

Delving then more closely into the criteria, four principal tenets form the core of this area.

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[20] Federal Register, Vol. 39, No. 162, Tuesday, August 20, 1974 (1974).

First, the organization must be a viable and functional entity, with a clearly defined charter and by-laws, and must comply with several procedural requirements set forth by the Office of Education.

Second, the organization must demonstrate its responsibility, which encompasses obligations to the general public, its professional membership, academic standards, ethical practices, and must have a fair and responsive redress system.

Third, reliability must be shown. Review of standards, acceptance throughout the U. S. by various groups, and experience play important roles in this assessment.

Finally, the organization must be autonomous. That is, "Its autonomy is demonstrated by evidence that - 1) It performs no function that would be inconsistent with the formulation of an independent judgment of the quality of an educational program or institution; 2) It provides in its operating procedures against conflict of interest in the rendering of its judgment and decisions."[21]

Although what has been explored is basically the evolution of legislation pertaining to accreditation, Congress has not refrained from commenting on the accreditation framework in general. Naturally, debate has grown out of this legislation, mainly surrounding the questions of the separation and balance of the powers of government. In 1967, a House committee appraised this system:

> In general, this method of determining eligibility of institutions and programs for Federal assistance has worked extremely well; however, it must be recognized that as a practical matter the requirement that an institution or program be accredited by a private nongovernmental group to qualify for assistance permits that private nongovernmental group to be in a position to determine, in accordance with its own standards and procedures, eligibility of other groups or institutions to receive Federal aid, and thereby to a degree constitutes a delegation of legislative power to a private organization.[22]

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[21] Ibid., Sec. 149.6(4)(d).

[22] House Committee Report, H.R. Rep. No. 538, 90th Cong., 1st Sess. 34 (1967).

Although this singular topic has been bantered about by leading scholars of the field, a more investigative probe into this debate will be handled in a subsequent part of this paper. The pros and cons of the present accreditation machinery have provoked much discussion, and it will be interesting to gather some insights into the opinions of a few of those people who confront or have confronted the system on a regular basis.

THE TRIAD

FEDERAL GOVERNMENT

Having proved the historical progression of accreditation since World War II, further exploration of the respective roles of the Triad is the next item for attention. As mentioned previously, the Triad is comprised of the Federal government, the state governments, and the private accrediting agencies and associations. This segment of the paper will attempt to identify and distinguish the roles and responsibilities of each respective group. The criteria and practices which they follow in their regular operations will be covered, and it is hoped that a clearer understanding of the balance which exists among these three entities will be the result.

The Federal role, since its responsibilities were touched upon via the historical growth of legislation, will be the first group of the Triad to be considered. The weight of that examination fell primarily on the Office of Education of the Department of Health, Education and Welfare. It should be noted that the Veterans Administration, as well as the Office of Education, provides substantial funds which are channeled for the benefit both of students and institutions of higher educations. However, in awarding grants to educational facilities, (especially medical related), the Veterans Administration almost always requires that institution to hold accreditation as based on the Commissioner's published list.[23] One must bear in mind, though, that the value of the published list of the Commissioner lies in the reliance which is placed upon it by outside organizations. It is technically only a guide for the proper management of Federal funds, but other interested parties are free to place as much emphasis on it as they deem fit. In actuality it is a widely relied upon list.

In 1968 the Division of Eligibility and Agency Evaluation, then known as the Accreditation and Institutional Eligibility Staff, was established by the Commissioner of Education to deal with accreditation and eligibility matters. An important link between the Office of Education and its accreditation duties, its major functions are as follows:[24]

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[23] U. S., Veterans Administration, Dept. of Medicine and Surgery, "Grants to Assist in the Education and Training of Professional and Technical Allied Health Manpower," and "Grants to Affiliated Medical Schools," (January, 1975).

1. To review procedures and policies as they relate to the interests of the Office of Education relative to accreditation and eligibility funding;
2. Administration of the eligibility funding process;
3. Administration of the process which calls for frequent review and renewal by the Commissioner of Education;
4. Liason with accrediting associations;
5. To serve as consultant to various agencies and institutions;
6. To interpret and disseminate policy of the OE in all appropriate programs;
7. To foster innovative research;
8. Support for the Commissioner's Advisory Committee on Accreditation and Institutional Eligibility.

In 1972 legislation called for the creation of advisory committees in the executive branch of government. The purpose of the Federal Advisory Committee Act was "To authorize the establishment of a system governing the creation and operation of advisory committees..."; the rationale was that these committees "...are frequently a useful and beneficial means of furnishing expert advice, ideas, and diverse opinions to the Federal government."[25] In compliance with this legislative directive, by 1974 the Advisory Committee on Accreditation and Institutional Eligibility was in full operation. Its function is not regulatory, nor is it ministerial. It is composed of 15 members who come from the wide ranging quarters of the nation's education community. Their purpose is to draw on their vast experience and offer constructive advice to the Commissioner. The domain of the Committee includes the review of policies, the development and recommendation of criteria, maintenance of a continuous review of administrative practice, procedures and judgments, monitoring of the accreditation process, advisement to the Commissioner on current relations with accrediting agencies, and submission of an annual report.

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[24] U. S., Dept. of Health, Education and Welfare, Office of Education, Division of Eligibility and Agency Evaluation, "Nationally Recognized Accrediting Agencies and Associations: Criteria and Procedures for Listing by the U. S. Commissioner of Education and Current List," (March, 1977) (NRAAA).

[25] Federal Advisory Act, Pub. L. 92-463 (1972).

Before proceeding, the concept of accreditation, particularly with respect to the *form* in which it is applied, merits discussion. First, there are institutions which can be accredited. This means that an entire educational establishment may receive recognition by one of the federally approved regional accrediting associations as having met the necessary standards and requirements. Then there is what is known as "specialized" or "programmatic" accreditation. The distinctions are set forth by the Office of Education:

> Specialized accreditation normally applies to evaluation of programs, departments or schools which usually are parts of a total collegiate or other postsecondary institution. The unit accredited may be as large as a college or school within a university or as small as a curriculum within a discipline. Most of the specialized accrediting agencies review units within a postsecondary institution which is so accredited by one of the regional accrediting commissions. However, certain of the specialized accrediting agencies do accredit professional schools and other specialized or vocational or other postsecondary institutions which are free-standing in their operations. Thus, a "specialized" or "programmatic" accrediting agency may also function in the capacity of an "institutional" accrediting agency. In addition, a number of specialized accrediting agencies accredit educational programs within non-educational settings, such as hospitals.[26]

The specific criteria which the Commissioner must follow in assessing accreditation units, again, are found in the August 20, 1974 *Federal Register*. Also, the restrictions which apply to the Office of Education against interfering in the control of educational institutions and programs similarly apply to the accrediting agencies. The agencies' job is to set standards of quality and excellence and approve or admit to membership those institutions which meet the requirements.

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[26] NRAAA, p. 2.

Realizing that times change and that the bureaucratic maze of government activity may unwittingly generate limited or narrow horizons, advice from outside, non-governmental agencies has been keenly sought. Three organizations which serve in such an advisory capacity are The Council of Regional School Accrediting Commissions, The Council of Specialized Accrediting Agencies and, relating closest to the subject before us, The Council on Postsecondary Accreditation (COPA). In January of 1975 COPA assumed the functions of the Federation of Regional Accrediting Commissions of Higher Education (FRACHE) and the National Commission on Accrediting (NCA), both of which had started in 1949. The motivating force behind COPA is "to foster and facilitate the role of accrediting agencies in promoting and ensuring the quality and diversity of American postsecondary accreditation. The Council recognizes, coordinates, and periodically reviews the work of its member accrediting agencies, determines the appropriateness of existing or proposed accrediting activities, and performs other related functions."[27]

The dilemma highlighted by the emergence of the newly consolidated COPA may be that the importance attached historically to the private accrediting agencies may be experiencing some erosion. Increasing confusion and debate in the accreditation arena may have necessitated the development of a revitalized agency which could deal with the growing malaise and render advice for corrective action accordingly. In this vein in October of 1977 COPA reported that it had taken steps to "deal with the growing problem of fragmentation and duplication of accrediting activity at the postsecondary level."[28] Subsequently, COPA announced that it would meet with the U. S. Office of Education's National Advisory Committee on Accreditation and Institutional Eligibility "to explore the possibility of reaching agreement on criteria for recognition roles that each plays."[29]

Finally, the report also called for COPA to "make more explicit to accrediting groups what constitutes evidence of their activity; create a new task force to study and possibly revise and strengthen its 'Provisions for Reocgnition;' identify and help accrediting groups develop clusters of specialized areas that might appropriately be evaluated at the same time; and prepare and publish guidelines for chief executive officers and governing boards to consider in their development of institutional policies regarding accrediting activities."[30]

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[27] Ibid., p. 2.

[28] "Higher Education and National Affairs," American Council on Education, Vol. XXVI, No. 42 (October 28, 1977), p. 6.

[29] Ibid.

[30] Ibid.

Before turning to the numerous accrediting bodies; however, the question of how institutions in New York become chartered and endeavor to receive accreditation will be entertained first.

NEW YORK STATE - THE UNIVERSITY OF THE STATE OF NEW YORK: CHARTERING

The main thrust of the responsibility of the state is directed at licensing and the chartering of institutions as well as the approving of new or expanding programs to already existing institutions. In New York the appropriate authority is the State Education Department of the University of the State of New York, which operates under the aegis of the New York Board of Regents. As cited previously in the August 20, 1974 *Federal Register*, the state may also possess accrediting functions for vocational and technical training. From the vantage point of the Triad, however, the relevant roles of the states are, largely, limited to the licensing and chartering duties. In any event, that is the function we are presently concerned with.

In 1947 the corporation then known since 1784 as The Regents of the University of the State of New York was continued under the name of The University of the State of New York. The New York Education Law provided that this corporation "shall have power to take, hold and administer real and personal property and the income thereof in trust for any educational, scientific, historical or other purpose within the jurisdiction of the regents of the University of the State of New York."[31] To ensure the objective and fair conduct of this body the Education Law included certain restrictions as to its membership. It stipulates that, "No person shall be at the same time a regent of the University and a trustee, president, principal or any other officer of an institution belonging to the University."[32]

The power conferred upon the University also embraced a number of administrative privileges. The University was given the authority to take testimony and conduct hearings using as agents the regents, a regents committee, the Commissioner of Education, or a deputy or any associate and assistant commissioner of education, or the counsel of the department. Furthermore, Section 207 provides, in part:

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[31] Title 1, Art. 5, Sec. 201, *McKinney's Laws of New York*, annotated, L. 1974, c. 820 eff. July 1, 1947. Section derived from Education Law of 1910 Section 40, as amended L. 1920, c. 161. Similar provisions were contained in Education Law of 1909, Section 1080, which was from University Law of 1892, c. 378, Section 3, and L. 1904, c. 40, Section 4; originally revised from L. 1889, c. 529, tit. 1, Sections 1, 2.

[32] *Ibid.*, Title 1, Art. 5, Sec. 2.

> Such and in conformity to the constitution and laws of the state, the regents shall exercise legislative functions concerning the educational system of the state, determine its educational policies, and, except, as to the judicial functions of the commissioner of education, establish rules for carrying into effect the laws and policies of the state, relating to education, and the functions, powers, duties and trusts conferred or charged upon the university and the education department.

Section 216 evidences the legislative authority given to the Board of Regents by the State to incorporate educational institutions. The text of that section reads:

> The board of regents may 'incorporate any university, college, academy, library, museum, or other institution or association for the promotion of science, literature, art, history or other department of knowledge, or of education in any way, associations of teachers, students, graduates of educational institutions, and other associations whose approved purposes are, in whole or in part, of educational or cultural value deemed worthy of recognition and encouragement by the university.'

Insofar as the Board giveth, so may it taketh away. The Regents may, at any time, "...change the name, or alter, suspend or revoke the charter or incorporation of any institution..." (Sec. 219).

In order to establish an institution in New York, several dictates have to be observed. First of all, a formal application has to be filed with the Regents. Thereafter certain points of information regarding the framework of that institution have to be divulged.

For a party interested in founding an institution of higher education in New York State, application must initially be made to the Deputy Commissioner for Higher and Professional Education. This application must include the "purpose, goals and objectives" of the proposed institution.

The "need" for the institution must also be elaborated upon. The applicant must "Give a complete justification as to why the type of institution which is proposed is needed in terms of the clientele it will serve and in terms of the area in which it is to be located and in the State as a whole."[33] The applicant must also explain why "...the need is not now being met by other institutions and describe to what extent such need will be met if this institution is established."[34]

The applicant is also asked to identify institutions in New York State which share similar purposes, goals and objectives. A written scheduled "lead time" is required where the applicant is called to provide information regarding a projected progression of dates up to and including completion to full operation. This schedule will span physical plant upkeep, faculty recruitment, course outlines, as well as a host of other factors.

The academic curricula must be described. This information will include the ultimate enrollment goal for each curriculum, the degree to be awarded, and the year in which each curriculum will first be offered. In addition, descriptions and a curriculum outline for each program leading to a degree should be supplied.

The next set of conditions concern themselves greatly with the limitations imposed by available financial resources. To begin, several questions must be responded to regarding the faculty. The applicant must indicate the number of faculty members, as categorized by major academic area of teaching and research, who will be required to sufficiently staff the offered curricula. The rankings of the faculty, such as by Professor, Instructor, etc., are also needed. Finally, the broad schema for salary, fringe benefits, cash options, and taxation, etc., are to contained within the application.

Undoubtedly the financial considerations involved in maintaining an administrative staff are of immediate import. Here again a schedule of salary obligations, including fringe benefits, will have to be disclosed. Also, anticipated expenses for the ensuing five years are to be compiled.

Expected enrollment, also based on a five year period, is to be given. The geographic origin of the student body, by percentile, is asked for, (e.g., commuting, rest of state, out of state), and information as to whether they will be living on or off campus is requested. The admissions criteria to be employed and the estimated academic year expenses to individual students for a five year period are to be furnished.

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[33] State of New York, The University of the State of New York, the State Education Dept., Office of Planning in Higher Education, "Procedures Concerning the Establishment of New Institutions of Higher Education in New York State," Albany, New York (1972).

[34] *Ibid.*

The final three groupings deal solely with the asset base of the proposed institution. With respect to facilities, buildings are to be examined in terms of ownership, present use, architectural design, and estimated value. New facilities are also to be included, covering all costs, primary and ancillary, which are invested in the new project(s).

The size and depth of the library are to be scrutinized, and should be commensurate with the breadth of the curricula offered. Certain guidelines for quality in college libraries, as proffered by the State Education Department, include:[35]

- A dedicated and interested Administration
- A professional staff
- The scope and size of the collection should be directly related to the kinds of curricula and to the levels of instruction offered. (It is recommended that an institution conferring several baccalaureate degrees should have a collection of at least 50,000 volumes and 500 periodical titles.)
- A sufficient staff size relative to the types of degrees being conferred by the institution.
- The recommended minimum budget should range from no less than 4 to 7 percent of the total educational and general budget. (A complete breakdown on fund allocations is requested.)
- The head librarian should be consulted on all new projects and design alterations.

The final, and perhaps most difficult aspect to assess, is the projected revenues and expenditures balance for each of the next five years. Entering into the picture on the revenues side are tuition, federal, state and local funding, research grants, student aid, and cash inflow from auxilliary enterprises. As to the expenditures column, the cost of maintaining plant and overhead, meeting salary commitments, and the expenses incurred in the running of a wide variety of educational as well as auxilliary enterprises are of importance.

Similar guidelines pertain to the expansion of current facilities and the development of new programs at existing institutions. According to Section 52.1(3) of the "Regulations of the Commissioner of Education," (N.Y.), "New programs must be registered and major changes in existing programs must be approved by the department before the institution may advertise, recruit, or enroll students in proposed curricula." Subsequent sections, (42.4-52.26), describe the registration standards for curricula which are geared for the preparation of students to the licensed professions, teacher education, and several other specialized programs.

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[35] Ibid.

Lastly, every four years each institution must submit to the Regents a document re-stating that institution's mission, goals, and objectives. This edict falls under the Master Plan Amendment, Section 237 of the Education Law. According to a memorandum issued by T. Edward Hollander, then Deputy Commissioner for Higher and Professional Education,

> The master plan describes the direction of the institution, the academic programs it offers, and the clientele it serves. It establishes the purposes of the institution which are readily understood by all members of the institution's community and is flexible, being subject to modification, through amendment, as changing conditions warrant.[36]

The caution is made, however, that approval of a master plan does not mean that new programs contained therein are automatically approved by the Regents. Any new additions in the way of major programs must be accompanied by a documented petition.

THE ACCREDITING AGENCIES AND ASSOCIATION

Having thus looked at the contributions of both the Federal and the state governments, the time has come to investigate those responsibilities taken on by the various accrediting agencies and associations. Emerging absent any legislative directive, these groups were founded upon and strive to maintain quality and standards of those curricula which fall under their particular field of interest. The distinction should again be raised that some accrediting agencies pass judgments only on an institution as a whole; this is usually the role of a regional accrediting body. Other accrediting agencies, however, represent a single profession or discipline and thus approve only those programs, courses, or specialized schools which are directly related to their field of interest. Furthermore, there may be more than one accrediting association for a particular field, but as a matter of convention the Office of Education has recognized only one representative body from each of the professional or vocational areas.

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[36] State of New York, The University of the State of New York, the State Education Dept., "Regulations of the Commissioner of Education," Albany, New York (effective July 20, 1977).

For New York the appropriate regional authority is the Middle States Association of Colleges and Schools. A non-profit and autonomous organization, the Middle States Association of Colleges and Schools was founded in 1887 and is incorporated in New York and chartered by the New York State Board of Regents. It draws its membership from the institutions of higher education in New York, New Jersey, Pennsylvania, Delaware, Maryland, the District of Columbia, Puerto Rico, the Virgin Islands, the Canal Zone, and in other overseas locations.

The general obligations of the Commissioner of Higher Education of the MSACS, as declared in the By-Laws, are:

> a) By accreditation, evaluation, consultation and in all other appropriate ways, promote in the Middle States area the welfare and improvement of education with special emphasis upon service to member and candidate institutions but without limitation to those colleges and universities and schools.
>
> b) Publish lists of accredited and candidate educational institutions in accordance with the standards adopted by the Association.
>
> c) Recommend to the Association standards and changes thereto for the accreditation of educational institutions, especially such modifications as will keep the standards in harmony with those generally accepted for educational institutions and will promote consistent growth in the effectiveness of member and candidate institutions.
>
> d) In accordance with Association policy, cooperate in appropriate ways with similar commissions in other regional associations.
>
> e) Promote articulation between and among educational institutions.[37]

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[37] T. Edward Hollander, Deputy Commissioner for Higher and Professional Education, "Memorandum to Chief Executive Officers of Postsecondary Education Institutions in New York State," The University of the State of New York, the State Education Department (January 15, 1976).

The criteria published by the Commissioner of the MSACS are not unlike those which are used by the University of the State of New York in assessing a charter application. Many grounds of common interest are shared, although some minor differences do appear. It may be safe to say that the Association places slightly more emphasis on academic standards and the fostering of a conducive learning atmosphere, whereas the State Education Department also has to heavily weigh the feasibility of an institution to financially survive as well as its ability to meet academic standards.

In any event, those areas of primary interest to the Commissioner of Higher Education (MSACS) are highlighted in the publication, "Characteristics of Excellence in Higher Education."[38] Of initial concern is an institution's conception of its own purposes and objectives. They should be clear and broad in scope, state in terms of results sought, and be uniquely identifiable to that institution. Individual curricula and courses are by no means excluded from this conceptual consideration, as is the same for special research, public service, and the many spheres in which the university comes into contact with society. The program itself must be a reflection of those stated purposes and objectives. It must be simple and flexible, and should be under constant evaluation.[39]

"The deciding factor in assessing any institution is evidence of the extent to which it achieves the objectives it has set for itself."[40] There may be no sure way to assess all the outcomes of a university program, but a variety of measures may be employed to shed some light on the subject. Periodic examinations, student post-graduate performance, alumni opinions, and student conduct are examples of some avenues in which an evaluation can be more accurately rendered.

Admissions and student services must be explored in order to answer two basic questions. One is whether potential or enrolled students' qualifications and motivations are compatible with the institution's objectives. The other is whether the institution is attracting and serving those it purports to serve

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38 "By-Laws of the Association," The Middle States Association of Colleges and Schools, Commission on Higher Education, Philadelphia.

39 "Characteristics of Excellence in Higher Education and Standards for Middle States Accreditation," Commission on Higher Education, Middle States Association of Colleges and Schools, Philadelphia (October 15, 1977).

40 *Ibid.*

and who can benefit from its offerings. These questions run the gamut from establishing admissions criteria consistent with the purpose and objectives of the institution to the providing of extra-curricula activities for the enhancement of student awareness and character.

Forming the foundation of an educational enterprise is the staff of faculty. Responsible not only for providing quality teaching according to university standards, the influences of the faculty can be felt in other areas as well. Student attitudes, program development, evaluations of facilities and determinations of "academic freedom" exemplify some decision areas where faculty consultation is called upon to lend further insight. Thus, a responsive, innovative and active faculty is important in attaining the objectives set forth by the institution.

To demonstrate an effective and stable organization, the administrative hierarchy as well as the employees who staff it need to be reviewed. "Intelligence, integrity, vigor, administrative skill, tact and imagination are indispensable." In addition, the sound nature of instructional planning and a properly prepared budget are of basic importance.

A Board of Trustees, composed of disinterested but dedicated and responsible members, is a necessity. They must hold a sincere commitment to the institution they serve, and membership should be large but not cumbersome. Also, the board should be easily accessible to the chief executive.

Certainly a strong asset base is important to an institution. Funds, buildings, laboratories, ancillary operations, etc. are all of prime consideration. Of paramount importance, however, is the library. The size of a library, the degree to which it is used, the competency of its staff, the depth of its holdings, are all aspects which, when combined can be translated into: its effectiveness as a learning center. Its proficiency in that regard is carefully appraised.

Other areas receiving less emphasis, but still held in high regard, are the plant and equipment situation, the extent and accuracy of catalogs and publications, the efficiency of its financing and accounting matters, and, finally, the degree to which innovation and experimentation are encouraged.

These, then, are the principal areas which the Commissioner of Higher Education views as having to be of sound disposition in order to receive recognition. There is no detailed, codified standard measurement for each category which is used as a criterion. An institution must be viewed as a whole, and each aspect of the institution must be evaluated in the context of the entirety.

The job of "specialized" accreditation is left to a large number of professional and vocational accrediting agencies and associations which operate nationwide. These, too, are completely listed in the annual publication by the U.S. Commissioner of Education. It would be too laborious, however, to investigate each agency in detail and analyze the criteria unique to each one. Admittedly, differences do arise, for the library needs of a law school may receive equal priority to the needs of a medical institution for up-to-date technical facilities. But, in general, the criteria followed by these agencies are similar to those which guide the regional accrediting agencies. The main difference is that the attention is given on the basis of a program, department, or school level rather than on an institutional scale.

As a summary of the accrediting process, five basic steps are usually involved. First, standards are established by the accrediting agency after consultation with educational institutions. Second, the institution or program seeking accreditation prepares a self-evaluation study that measures its performance against the standards established by the agency. Third, an on-site visit by a team appointed by the agency takes place so that a first-hand evaluation on the merits of the institution or program can be made. Fourth, if the agency is satisfied that the applicant meets its standards, the accrediting agency lists the institution or program in an official publication with other similarly accredited institutions or programs. And fifth, the accrediting agency periodically reevaluates the institutions or programs that it lists to ascertain that continuation of the accredited status is warranted.

ACCREDITATION: GENERAL OVERVIEW

By the very nature of the Triad arrangement some conflicts inevitably arise. Does the government have too much say in what are educational matters? Do the accrediting agencies hold too much power in their quasi-legislative capacity? Where should the concentration of power predominantly lie? These are questions which are frequently volleyed to and fro, and some changes have been the result of various attempts to answer these questions.

In general, the present system of accreditation, when viewed in its entirety, appears to be a sound arrangement. The criticisms, nevertheless, are sufficient to warrant some attention. One observation that has been made is that, "In view of the constitutional and legal background, accrediting agencies continue to face the implications of being involved indirectly in a governmental decision process."[41]

Accrediting agencies are non-profit organizations, with staffs being comprised mostly of volunteer workers. In addition, they depend on membership funds to meet their budgetary needs. In view of this Frank Dickey, former Executive Director of the National Commission on Accrediting, remarked that these accrediting agencies "...are increasingly vulnerable to litigation because of their decisions, procedures, and intimate knowledge of institutions."[42]

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[41] Ibid.

In June of 1971 Elliot Richardson, then Secretary of Health, Education and Welfare, commented on the eligibility system in his annual report. He said, "Present eligibility systems and all practicable alternatives have serious defects. By the same token, several eligibility systems are workable, if defective." He then was quick to add, though, "Defects are not disasters." He further qualified this position when he stated, "The technical validity of the distinctionis less important than the fact that it is made."[43] The strength of this assertion is that affirmative governmental guidance should be made available to funding bodies so that responsible decisions can be reached.

A conclusion reached by the Secretary was the "Recognition should be granted to any agency which meets the commissioner's criteria to the same degree as the listed agencies."[44] He is not alone in this position, for other critics feel that the recognition of other, equally competent accrediting groups will bring some openness to the process. This contention is based upon the reluctance of some agencies to adapt to new trends or the occassional failure by them to fairly evaluate new applicants. Some have even charged that resistance of this nature is intentionally brought about in order to regulate the numbers of a particular profession or group.

Other doubts which have cropped up are highlighted by Harold Seidman, a contributing writer to the 1976 Orlans Report.[45] Besides recognizing that Congress had, in effect, delegated to accrediting groups the power to control access to Federal funds, he then notes, "The prescribed standards apply only to the recognition of accrediting agencies, not to standards of accreditation." He continues by saying, "There is genuine fear that government established standards of eligibility could well represent a step toward Federal control of education."[46]

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[42] David A. Trivett, "Accreditation and Institutional Eligibility," Educational Research and Information Center, (ERIC)/Higher Education Research Report No. 9, ED 132 919 (1976).

[43] Ibid., p. 56.

[44] Elliot Richardson, "Report of the Secretary of HEW," June, 1971, U. S. Government Printing Office; also "Private Accreditation and Public Eligibility," Brookings Institution, Washington, D. C., Harold Orlans and Others, ERIC/ ED 097 858 (1974).

[45] A 1974 study on accreditation headed by Harold Orlans and sponsored by the Brookings Institution.

The Accreditation and Institutional Eligibility Staff has published statements to the contrary. "Current laws and statutory regulations governing institutional eligibility reflect the conviction of the Congress that the Federal government, through the U. S. Office of Education, should not be in the business of directly accrediting schools." (AIES, January 28, 1975, p. 2). Admittedly, what is meant in terms of legislative intent may be quite different from what is actually practiced. Still, the fact that this government agency has indicated a desire to maintain a comfortable distance shows, to some degree, its good faith in allowing accrediting agencies to perform their functions without interference.

To be sure, these selected criticisms may serve unfairly to malign an arrangement which, for the most part, seems to work well. Frank Dickey has said, "Voluntary, nongovernmental accreditation is the singlemost important indicator of institutional quality."[47]

But he also cautioned:

> Mismanaged and misused, it can limit entry into the professions, it can shield institutions and programs from constructive pressures for changes, it can consort with registration, certification and licensure to require education beyond what is needed for competence in a particular field. It can be used to impose the desires and wishes of professional groups upon the educational programs of institutions - desires and wishes which may have little or no educational value or significance.[48]

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[46] Ibid.

[47] Harold Seidman, "Private Accreditation and Public Eligibility," ed. Harold Orlans, Appendix 4, pp. 565, 566 (1974).

[48] Frank Dickey, "Accreditation: 'Federalization' or 'Nationalization?'" Annual Report of the Executive Director, National Commission on Accrediting, Washington, D. C., ERIC/ ED 072 021 (March, 1972), p. 2.

FINANCIAL CONSIDERATIONS AND CONSEQUENCES OF ACCREDITATION

To conclude the accreditation topic, it was felt that a probe into the financial considerations and consequences of gaining accreditation status might bear some helpful information. An initial investigation quickly revealed that little research had been conducted on this subject. In fact, so far as this writer could determine, no one has launched any substantial research projects in this area at all. Consequently, it was decided that some measures would be undertaken to see what answers would surface, if indeed there were any.

At the outset of this effort I believed that there was a direct correlation between financial resources and the gaining of accredited status. It seemed highly likely that institutions endeavoring to gain accreditation would formulate detailed plans by which they hoped to achieve accreditation. I expected these plans to be closely tied to specific fund allocations. I also expected to discover meticulously outlined strategies for the development and enhancement of existing facilities. Then, once an institution had gained accredited status, I anticipated finding a tremendous surge in revenues. I was to learn that my original inclinations were quite far from the truth.

I first began my inquiries with institutions of higher education in New York State. As cited before, the Middle States Association of Colleges and Schools is the regional accrediting body for New York. I was hoping to determine just what financial acrobatics institutions of higher education had to perform in order to become accredited. A letter was mailed to the financial directors of 50 institutions in NYS which basically asked four questions. They are as follows:

1. What costs have you incurred, or project to incur, in obtaining accreditation status?
2. Assuming accreditation has recently been granted, has there been a noticeable increase in revenue? How much?
3. After the loss of accreditation has there been a noticeable decrease in revenue?
4. In allocating additional funds to achieve accreditation how are these extra funds channeled?

The response to this inquiry was, to say the least, small. From those questionnaires returned it became evident that the gaining of accreditation was not a simple matter, and was more difficult to assess financially. Another dilemma which presented itself was that the overwhelming majority of the 50 institutions had been accredited for a long, long time. Thus, any effort to make a financial analysis on the subject, considering inflation and a host of other obstacles, would be fruitless. If there was any light that could be detected it was that additional funds, if there were any, were usually channeled to general operating expenses, nothing specific.

It became clear that searching up this particular alley was not going to be an overly productive venture. Consequently a follow up to the first mailing was not carried out.

Even though a financial analysis of accreditation of entire institutions was beyond practicality, it nevertheless seemed relevant to explore financial questions of accreditation on a departmental or "school" level. This invariably took me away from the MSACS and thrust me into the vortex of national accrediting bodies. There are over 50 of these agencies and associations, of which 20 were randomly selected and requested to provide certain information. The intent here was to ascertain those departments, (and the schools in which they were located), which recently acquired accredited status by a national organization. A cutoff date of 1970 was used so as to escape the pitfalls of the first mailing, i.e., so that the information would be financially relevant. Although all 20 of the selected agencies responded, some were reluctant to disclose the exact dates at which departments had gained accreditation. This was due to certain codes of confidence adhered to by these agencies. All, however, provided helpful information regarding procedures and standards, and there was more than a sufficient response from those groups which provided the requested data. From this response a list of 30 departments and schools was compiled.

At this point in time my doubts had grown substantially as to the prospects for making any direct connection between financing and accreditation. Certainly a response by these 30 departments would be inconclusive. Yet, it was felt that if a common trait could be identified among them, at least some useful information had been uncovered. And so a questionnaire was sent to these departments in which they were asked ten questions. The response was large (21) and surprisingly quick, and it became evident that my initial leanings at the outset of this study were completely off the mark.

The overwhelming number of respondents (over 90%) were virtually identical in their answers. The results that were assembled show that:

1. Financial considerations were not an important part of strategy in striving for accreditation.

2. Departments did not receive a significant amount of additional funds to achieve accreditation. (Most said none at all; a very few had minor increases).

3. (Rendered moot by responses to first two questions).

4. There was no financial breakdown on areas which would receive primary emphasis.

5. Although the significance of the response is limited, three areas received the greatest amount of attention (in declining order). a. Quality of faculty, b. Quality of administration, c. Quality of curriculum.

6. The response was split on this question. I suspect the type of department or school has much to do with this result.

7. There was no program that was specifically conceived and developed for the purpose of gaining accreditation.

8. After receiving accreditation there was not a noticeable increase in enrollment in the department's course offerings.

9. Almost all respondents felt that the receiving and/or maintaining of accreditation status was too complex and ambiguous to be effectively translated into financial terms.

10. Most felt that it was possible to assess the effects of accreditation, although it would be difficult. Responses here were a bit vague, though. Evidently some were thinking in non-financial terms, some thought it possible but weren't sure how, and others thought the effects small.

In evaluating this information, at least a few conclusions can be drawn. It must first be stated, however, that in approaching this question of accreditation I restricted my horizons to the sphere of finance; as if I were investigating nothing but competitive for profit enterprises. True, financial acumen is helpful in running a department or institution, but in terms of gaining accreditation, financial considerations did not appear to be of pressing importance.

As trying as it was to appreciate, the dedication to academic excellence and the maintenance of standards seemed to be above and away the main incentives in developing and expanding programs.

The attitude which eventually came across is that accreditation is good to have, but the reaching of that status is not the primary impetus behind efforts to improve programs. A great many considerations go into evaluating accreditation applications, (such as facilities, library, staff, faculty, etc.). It seems beyond practicality to ascribe financial tenets that would justify saying that a specific allocation of funds will result in accreditation. It would almost be said that the cost of funding and developing an institution is the actual cost of accreditation.

On the departmental level the same holds true. The pursuit of academic excellence is rewarded by accreditation, but the area of accreditation is not a prime motivating force for those pursuits. In point of fact, most of the respondents did not seem to feel that there was much of an aura at all surrounding accreditation. Their dedications, interestingly enough, were to academics, not finance.

These questions refer to nationally recognized accrediting agencies and organizations.

1. In striving for accreditation, were financial considerations an important part of your strategy?
2. Did your department receive a significant amount of additional funds to achieve accreditation?
3. If so, how much of a percentage increase was there over the previous budget? (You may choose to use a dollar figure.)
4. Was there a financial breakdown on areas which would receive primary emphasis? (Such as increased faculty salaries or additional allotments for facilities.)
5. Please list, in order of priority, those areas you feel were of major importance to your receiving or maintaining accreditation status.
6. Was it more an effort on the part of the administration rather than on the departmental level which brought about accreditation? (i.e., was strategy and financial planning determined by the administration rather than by your department?)
7. Was there in fact a program specifically conceived and developed for the purpose of gaining accreditation?
8. After receiving accreditation was there a noticeable increase in student enrollment in your department's course offerings?
9. In your opinion, is the receiving and/or maintaining of accreditation status too complex and ambiguous to be effectively translated into financial terms?
10. Are the subsequent effects of gaining accreditation too difficult to assess?

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CHAPTER 14

INSTITUTIONAL REGULATION UNDER PUBLIC POLICY, WITH FINANCIAL CONSEQUENCES: COLLECTIVE BARGAINING IN HIGHER EDUCATION

Richard Nelson

INTRODUCTION

When undertaking the study of unionism on campus, (with emphasis on New York State), the pressing fact which cannot be ignored is that, traditionally, universities have considered themselves far different from their unionized predecessors in industry. To many, the thought of professors and other teaching personnel becoming organized was hard for the palate to withstand. Even if unionization brought about favorable changes, the violation of collegiality was nevertheless a blow. It just somehow seemed wrong, or at least awkward, that professionals who have dedicated their careers to the advancement of knowledge should have to divert some of their energies to the distasteful task of haggling over money and money related issues. To be fair, a great many still feel this way, and efforts to bring about unionization on many campuses throughout the nation have failed. The situation in New York is interesting in that The State University of New York and The City University of New York, which together employ over 25,000 faculty members, are represented by collective bargaining agents. (See appendix.)

But the question of collegiality is not the only issue which surrounds the collective bargaining debate. Far from it. However, before investigating these other points, an inquiry into the historical progression and legal framework of unions on campus will first be made.

THE LAW AND UNIVERSITY COLLECTIVE BARGAINING

The emergence and rapid growth of collective bargaining agents on campus, from a legal standpoint, has raised myriad questions and created limitless problems. Historically, the

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university was considered a single entity, with all parts geared for the attainment of a pre-eminent goal, academic excellence. Although the roles of administrators and faculty were different, each considered their responsibilities towards the university to be one of "shared authority" rather than as being adversarial. The introduction of bargaining agents has upset this traditional balance, opening up a new frontier where only until recently has legislation and litigation dared venture.

In 1935 the Wagner Act (National Labor Relations Act) boldly recognized the right of workers to join together and form unions. This legislation also called for good faith negotiations to be carried out between employer and union on issues such as wages, hours, fringe benefits, and other conditions of employment. The National Labor Relations Board was also established in 1934 following the passage of the National Industrial Relations Act of 1933 (subsequently declared unconstitutional). The NLRB is the principal enforcement agency of the federal statute, and consists of five members appointed by the President for five-year terms. The NLRA is concerned only with issues of collective bargaining in the private sector, and is expressly prohibited from moving into the public sphere. In addition, the Wagner Act holds jurisdiction only over those enterprises that directly affect interstate commerce. The effectiveness and applicability of the NLRA is determined mainly by the rulings of the NLRB, and for the first thirty-five years the NLRB had refused to consider cases brought before it concerning questions of collective bargaining in education.

The issue of collective bargaining in education falling under the jurisdiction of the NLRB was first pressed in 1951 in the case of Trustees of Columbia University in City of New York.[1] Although suspecting that non-profit institutions were not necessarily beyond the scope of the National Labor Relations Act, the Board nevertheless decided that it would not take jurisdiction over higher education. The NLRB maintained this policy for 19 more years.

This position was finally reversed in 1970 when Cornell University, Syracuse University and Yale sought jurisdiction by the NLRB over then current questions of collective bargaining. The language of the rulings deleted the exclusion of employees of non-profit educational institutions from NLRB purview. The Board decided, "(We) are convinced that sssertion of jurisdiction is required over those private colleges and universities whose operations have a substantial affect on commerce to ensure the orderly, effective and uniform application of the national labor policy."[2]

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[1] Trustees of Columbia University in City of New York, 97 NLRB 424 (1951).

[2] Cornell University, 183 NLRB No. 41, (1970), Yale University, 184 NLRB No. 101 (1970).

Although jurisdiction was assumed by the NLRB, the ambiguous language of this passage failed to clear all the fog. The ruling continued:

> At this time, the Board is not prepared to establish jurisdiction of standards for nonprofit colleges and universities as a class for the instant proceedings do not give us a sufficient basis for selecting an appropriate measure by which to determine whether the policies of the Act will be effectuated by the exercise of jurisdiction in a particular case. Therefore, we leave the development of an appropriate jurisdictional standard for subsequent adjudication.[3]

Although a standard had not yet been established, the decision in the Yale case was based upon the fact that Yale University indeed had a substantial effect on interstate commerce. Part of this decision reads:

> NLRB jurisdiction was asserted over a private university, since its position as the fifth largest employer in the state, direct out of state purchases of goods and services of over $11 million, operating income of over $111 million, endownment of $589 million, and receipt of $39 million in research grants from the federal government and foundations met any reasonable standard for substantial impact on interstate commerce.[4]

On the basis of this paragraph, as well as certain language in the Cornell decision, it became evident that the NLRB was thinking in terms of operating expenses as determining the standard upon which jurisdiction would rest. The NLRB has previously declined to accept jurisdiction over non-retail enterprises where the gross outflow or inflow of revenue across state lines was less than $50,000 a year. However, on December 3, 1970, the Board announced in the Federal Register that it would assert jurisdiction in labor cases involving any private nonprofit college or university which has a gross national revenue of $1 million for operating expenses.[5]

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[3] Ibid., Cornell, p. 13.

[4] Ibid., Yale.

[5] 35 Federal Register 18370 (1970).

In considering the NLRB in its relation to collective bargaining in higher education, one must realize that its role is somewhat limited, especially in its applicability to New York State. Not only is the Board restricted to adjudication in the private sector, it also may yield jurisdiction to those states which have already passed labor laws which adequately deal with the topic at hand. New York has such a law in the New York Labor Law.[6] Originally excluding institutions of education from inclusion within the power of the statute, the law was amended such that it may be construed as eliminating the exclusion of nonprofit educational institutions. The NLRB has continued to extend its authority to adjudicate the cases of several private New York institutions, but its powers are discretionary in nature.[7] On that basis faculty bargaining at an occassional private institution, such as St. John's University, took place under the New York State law rather than the federal statute.[8]

The public institutions are governed completely by the Public Employee's Fair Employment Act, otherwise known as the Taylor Law.[9] Interestingly enough it was the faculty members and non-teaching professionals of the State University of New York who, in 1971, were the last state employees to organize under the legislation permitting public employees to bargain collectively.[10] CUNY had already organized in 1967.

The Taylor Law basically consists of four major parts.[11] First, it granted public employees the right to organize. Second, it required state and local governments and other political subdivisions to negotiate with, and enter into written agreements with employee organizations representing public employees which have been certified or recognized. Third, it created a public employee relations board (PERB) to assist in resolving disputes between public employees and public employers. Last, it continued the prohibition against strikes by public employees and provided remedies for the violation of such prohibition.

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[6] New York Labor Law, Art. 20, Section 715 (McKinney Supplement, 1970).

[7] C. W. Post Center of Long Island University, 189 NLRB 904, 905 (1971); Fordham University, 193 NLRB 134 (1971); Manhattan College, 195 NLRB 65; Adelphi Unviersity, 195 NLRB 639; New York University, 205 NLRB No. 16 (1973).

[8] Jack H. Schuster, (Ed.), Encountering the Unionized University (San Francisco: Jossey-Bass, Inc., 1974), p. 64.

[9] Public Employees' Fair Employment Act, (N.Y. Civil Service Law Sections 200-12 (McKinney Supp., 1970, annotated Laws of New York State)) enacted as Chapter 392 of the Laws of 1967, effective September 1, 1967 (Taylor Law).

[10] "Collective Bargaining: The State University and the State Government in New York," ERIC/ ED 124 049, 1976, p. 7 (State Unviersity and Government).

[11] Taylor Law, op. cit., Section 200.

The purpose of the Public Employee Relations Board is to serve as an overseer of the procedures outlined by law and to take measures in the event of an impasse. Also, it is PERB which recognizes the validity of an agent's right to bargain on behalf of an institution. This proved somewhat troublesome when, in 1968, PERB decided that two agencies were allowed to represent two distinctly separate groups at CUNY.[12] It should be noted, though, that during the first five years of unionism at SUNY PERB was infrequently called upon.[13]

Possibly because of mounting paperwork, on June 1, 1969, under Article 24 of the Executive Laws, the Office of Employee Relations was established. The purpose of this office is to act as an "agent" for the Governor, responsible to him for the conduct of negotiations, to "assure the proper implementation and administration of agreements reached," to assist the Governor, and to "direct and coordinate" the State's activities under the Taylor Law. The Office of Employee Relations also negotiates directly with SUNY.[14]

The New York Labor Law, the Taylor Law, and the National Labor Relations Act, although providing the groundwork for settling arbitration disputes in New York State, have not been able to resolve a number of ancillary problems. Insofar as collective bargaining on the campus is a relatively recent development, the growth of a consistent common law has been slow. One issue which has surfaced is whether department chairmen are "supervisors" or "employees". Courts must also interpret whether non-faculty personnel fall within the parameters of a bargaining agreement. When the NLRA was first applied to private, for-profit enterprises, the distinctions as to employer and employee were somewhat easier to make. Since colleges and universities are of a non-profit genre, and employ professional personnel whose duties are considered different from the industrial sector, there is little case law which can provide reasonably uniform guidelines. The issue of student participation is another area of legal quandry which must be deliberated. Some states still do not even have laws which allow institutions of higher education to choose a collective bargaining agent (See appendix).

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[12] Mintz, "The CUNY Experience," 1971 *Wisconsin Law Review* 112, 1971.

[13] State University and Government, p. 8.

[14] *Ibid*., p. 9.

NATIONAL COLLECTIVE BARGAINING ORGANIZATIONS

There are three organizations which carry the greatest weight in postsecondary education collective bargaining. These are the American Association of University Professors, the American Federation of Teachers, and the National Education Association. Each are uniquely different, and each has emerged from a dissimilar background.

The National Education Association (NEA) is the major educational association in the United STates and, by 1976, had some 1.8 million members.[15] Of the three main bargaining agencies, the NEA is the oldest, having been founded in 1870. Further, it had been considered a professional agency and did not become recognized as a leading bargaining agent until about 1970. Although comprised primarily of elementary and secondary classroom teachers, it is affiliated with a wide variety of organizations that touch on numerous sectors in education. National in scope, the real centers of power nevertheless remain on the state level. In New York, the NEA is no longer identified as a collective bargaining agent of any institution of higher education. Elsewhere in the nation it wields great influence on the community college level. The majority of community colleges in New York are represented by the Association of Community College Faculties (ACCF). However, in 1970 - 1971 the NEA, when it was present in New York, realized great success by organizing the faculties of CUNY and SUNY. These two institutions have since come under the cloak of the AFT, (after the local AFT and NEA chapters merged). A few other New York institutions' unions were nurtured by the NEA, but have since been represented by other agents. In terms of membership in higher education, the NEA roughly equals that of the AFT, with the AAUP taking a distant back seat. The policy position of the NEA, as evidenced in the July 31, 1972 Chronicle of Education, is partly as follows:

> The NEA believes that local associations and school boards must negotiate written master contracts. Such contracts shall result from negotiation in good faith between associations and school boards, through representatives of their choosing, to establish, maintain, protect and improve terms and conditions for professional service and other matters of mutual concern, including a provision for financial responsibility.[16]

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[15] National Education Association Handbook, 1976-1977, (National Education Association of the United States, Washington, D.C., 1976).

[16] Clarence R. Hughes, (Ed.), Collective Negotiations in Higher Education (Illinois: Blackburn College Press, 1973), p. 222 (Hughes)

Like the NEA, the AAUP was considered a professional organization, but solely of the ranks of the professoriate. Created in 1913, the AAUP was dedicated to advance the interests of the profession, and, by the force of its prestige among faculty, administrations, and the public, enjoys wide influence. In 1940 the Association issued a "Statement of Principles", the tenets of which have since been adopted by many institutions. These principles expound the unique roles and obligations assumed by university professors, and highlight certain basic rights which ought to be preserved at every academic institution. In New York the AAUP represents only four-year colleges and universities. (See appendix.)

Eventually to have an effect on AAUP policy, in 1965 at ST. John's University (NY) 22 members of the faculty as well as 11 others were given notice that their services were no longer required and that their contracts were to be terminated. In response a strike began on January 3, 1966, which probably qualified as the first major faculty strike against a university administration in the United States. However, according to the AAUP, "The strike did not succeed, in that the university continued to operate, and the dismissed teachers were not reinstated."[17]

After the start of that strike the General Secretary, as authorized by the Executive Committee of the AAUP, delivered the following statement on January 6, 1966:

> The AAUP has never looked upon the strike as an appropriate mechanism for resolving academic controversies or violations of academic principles and standards. Regardless of an immediate situation it is in the best long-run interests of the institution and the academic community to use approaches and procedures developed by that community to meet its own objectives and needs. Accordingly, the Association does not endorse a strike against an academic institution.[18]

In 1967, however, the American Association for Higher Education recommended to the AAUP that it reevaluate its position on the question of strikes. The report stated:

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[17] AAUP Bulletin (Spring, 1966), pp. 12-19; (Summer, 1966), p. 124.

[18] "AAUP Policy Documents and Reports," ERIC/ ED 138 646 (January, 1977), p. 51.

> We conclude that there are no decisive reasons why the faculty should be denied the opportunity to strike, in terms of either society's essential needs or the long-run interests of the institution. Most faculty members will resist the tendency to strike because use of this weapon seems inconsistent with their view of themselves as members of a profession committed to reason. We share this hesitancy to endorse strikes, but we do not automatically reproach a faculty which feels compelled to take this step as a last resort when other methods have been exhausted. If the administration has denied the faculty the right to participate effectively in campus decision making, then it must accept a major share of the responsibility when a strike ensues.[19]

Evidently persuaded by this report, the AAUP did alter its stand on collective bargaining:

> Collective bargaining, in offering a rational and equitable means of distributing resources and of providing recourse for an aggrieved individual, can buttress and complement the sound principles and practices of higher education which the American Association of University Professors has long supported. When appropriate, therefore, the Association will pursue collective bargaining as a major additional way of realizing its goals in higher education, and it will provide assistance on a selective basis to interested local chapters.[20]

Regarding strikes, the AAUP says:

> It is the policy of the Association to call or support a faculty strike or other work stoppage only in extraordinary situations which so flagrantly violate academic freedoms or the principles of academic government, or which are so resistant to national methods of discussion, persuasion and conciliation, that faculty members may feel impelled to express their condemnation by

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[19] Ibid., p. 52.

[20] Ibid., p. 56.

> withholding their services, either individually or in concert with others.[21]

Although the AAUP will support a strike given certain circumstances, it nevertheless is quick to emphasize that shared authority, academic freedom, and professional responsibility and autonomy are the primary foundations upon which faculty should guide their actions. In this respect the Association is considered the least militant of the three organizations. It was not until 1971 that its chapter at Oakland University called a strike, and by 1974 no more had been called. But in the academic year 1977-78 strikes at Dowling and Wagner may indicate that the AAUP has assumed a more aggressive posture.

In May of 1974 the AAUP represented approximately 15,100 members, with Rutgers the largest institution represented with 3,200 bargaining unit members. In terms of institutions represented, the AAUP dominates the four-year institutions, and as of February, 1978 the AAUP represented 38 or 109 listed as organized. (The AFT represented 31, and the NEA 26).[22]

The American Federation of Teachers, also having deep roots in history, is more readily known for its representation of school teachers. By 1972 the AFT had nearly 250,000 teachers at all levels as members.[23]

The forerunner of the AFT, the Chicago Teachers Federation, was founded in 1897 with Catherine Goggin as its president. The issue at that time, as raised by grade school teachers, centered on pension conflicts. In 1916 three Chicago teachers' unions, one of which was the CTF, and another from Gary, Indiana, combined to form the American Federation of Teachers. The Teachers Union of the City of New York, The Oklahoma Teachers Federation, the Scranton, Pennsylvania Teachers Association, and the High School Teachers union of Washington, D.C., swiftly joined the ranks.

Impressed by the growth in strength of the teachers, the American Federation of Labor extended an invitation to the AFT to become members of their organization. Sympathizing with the principles and tenets of the AFL, the AFT heartily accepted the invitation. It was through this relationship that the AFT developed and fine-tuned its more militant approach to collective negotiations. Its association with the AFL-CIO began to waver, however, when in the 1960's Walther Reuther of the UAW broke from the AFL-CIO. It was the UAW which financially supported the AFT during several crisis situations, most notably the 1961 strike in N.Y.C. This conflict was further intensified in 1972 when George Meany, president of the AFL-CIO, refused to support any presidential candidate in the national election, the likewise ordered the national unions to follow the same line. The AFT refused and supported one of its own, George McGovern.

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[21] Directory of Faculty Contracts and Bargaining Agents in Institutions of Higher Education, (NCSCBHE, 1978), p. 25.

[22] Joseph W. Garbarino, Faculty Bargaining, (New York: McGraw-Hill Co., 1975), p. 88.

[23] William Edward Eaton, The American Federation of Teachers, 1916-1961 (Illinois: Southern Illinois University Press, 1975), p. 194.

In contrast to the more conservative posture of the AAUP, the position of the AFT is abrupt and straightforward. First, "There shall be no abridgement of the right to organize with others to protect group interests, or to join existing unions or other organizations for such purposes."[24]

Second, "There shall be no abridgement of the employee's constitutional right to join with other employees in the withdrawal of their services."[25]

Overseeing mainly secondary and lower schools, during the 1960's the AFT found special success in organizing junior college faculties. In 1967 a college and universities department was formed, when there were some 50 college locals with perhaps 3,000 members. These figures improved by 1974 to about 240 locals and 30,000 to 35,000 members in higher education. About half of these members were in New York State, most of them as joint NEA-AFT members in the unions in CUNY and SUNY.[26]

Viewing collective bargaining on a national scale, irrespective of the bargaining agents, and limited to public campuses, as of 1977 93 percent, or 37 of New York's four-year public campuses had been unionized. Of the two-year campuses all 44 (public) had been unionized. This corresponds to national averages of 25 percent for four-year institutions and a somewhat higher 35 percent for two-year colleges. Combined, of the 486 four and two-year public campuses in the nation that were unionized, New York had 81, or 16.6 percent of the total. The next state in line was Michigan with 8.2 percent, followed closely by Wisconsin's 8.0 percent. These figures clearly evidence the lead which New York has taken in bringing collective bargaining to the academy.[27]

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[24] Hughes, op. cit., p. 220.

[25] Ibid.

[26] Garbarino, op. cit., p. 93.

[27] Faculty Bargaining in Public Higher Education (San Francisco: Jossey-Bass, Inc., 1977), Appendix B, Table 1.

In July of 1976 about 16 percent of all faculty in higher education in the United States were represented by a collective bargaining agent at 461 institutions, or about 15 percent of all postsecondary institutions. Of the 94 elections in 1976, 74 or 78.7 percent were held on public campuses and 20, or 21.3 percent, were held on private campuses. This represents an 11 percent increase over 1975 in the number of elections held on public campuses. The success of unions on two-year campuses has been remarkable, with only eight failures out of a total of 281 election attempts (97 percent). In all election efforts, unions have established themselves 89 percent of the time.[28]

In 1977 the success of the two-year institutions continued, with 23 institutions, representing about 13,400 faculty, voting for agent representation. Only three chose to reject. But in four-year institutions eight voted against agent representation while only seven voted in favor. This was the first time the number of rejections of unions exceeded the number of victories in four-year institutions.[29]

THE IMPACT OF UNIONS ON ADMINISTRATIONS

Once the idea of collective bargaining has been accepted on campus, the relationship between administration and faculty changes. Where "shared authority" was once the common understanding, the new relationship became more adversarial. Even though a good faith effort on the part of all would endeavor to preserve that former rapport, it became impossible to ignore that a change had taken place. The principle of collective bargaining rests on the presumption of an adversarial relationship. If there were a difference, it was in that university and college personnel supposedly possess a greater facility for reason, and the result of course was hoped to be more productive and efficient negotiations. This has not been necessarily so, however, as administrators and unions found out.

Any change which comes to a university is bound to be discovered and digested by its administration. The growth of unions, combined with the financial crisis of the early seventies have presented the greatest challenges to administration authority since the student demonstrations of the sixties. Traditionally almost all the power to run a university was vested in the administration; academics and department supervision were left to the faculty, and frequently each group was called upon to support each other. Such was the nature of shared authority. But the emergence of a faculty organization, united and firm in its efforts to ensure a secure position, and to derive larger slices of the university pie, has raised perplexing questions as to what effects such organizations have had on the power of administrations.

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[28] Dean W. Collingwood, "The Current Status of Faculty Unions in Higher Education: A Statistical Analysis," ERIC/ED 134 079 (1977).

[29] "Newsletter," The National Center for the Study of Collective Bargaining in Higher Education," Vol. 6, No. 1 (January/February, 1978), p. 2.

It is far too early to assess the actual effects unions have had, but a study on this subject was conducted by Mr. J. Victor Baldridge and Frank R. Kemerer in 1975.[30] They sent out questionnaires to Presidents and Union Chairmen asking them what effects they thought the emergence of unions have had on administrative authority. The results of this study are partly evidenced in Tables 1 and 2.

One of the conclusions reached in this study was that "unionism can weaken the administrative dominance of many two-year institutions, and those administrators can expect major changes."[31] The second conclusion was that they didn't believe that "unions have thus far jeopardized administrative authority on most four-year campuses. Most of the evidence seemed to point to union, not administrative weakness."[32] The general conclusion was that administrators did not seem to have lost power. In fact, by virtue of the new, more clarified arrangement with faculty, they may have gained greater control.

The report also raised the prospect that institutional autonomy was in a decline. To cope with the collective bargaining process new management techniques will have to be implemented, resulting in an increase in bureaucratic red tape. Most notably true of public universities, the complexities of the various negotiating issues have invariably led to the concentration of the decision making powers to the higher echelons of the university structure. Furthermore, the intrusion of public officials into this area is almost unavoidable, for when public institutions become strained for money the first place they look to is the legislature. In this regard outside control tends to rise. The apparent result, according to Table 2, is that once a union has been established the influence of outside agencies will increase.

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[30] Victor Baldridge and Frank R. Kemerer, "The Scope of Bargaining and Its Impact on Campus Administration," Collective Bargaining in Higher Education, Proceedings, Fourth Annual Conference, April 1976, (New York: National Center for the Study of Collective Bargaining in Higher Education, 1976), p. 79.

[31] Ibid., p. 80.

[32] Ibid.

TABLE 1

The Impact of Collective Bargaining on Your Campus*
(Respondents from Campuses with Unions)

	Power of Administration has:			Power of Off-Campus State Agencies has:			Power of Faculty on Administration Issues has:		
	Increased	Remain Same	Decreased	Increased	Remain Same	Decreased	Increased	Remain Same	Decreased
All Institutions Presidents (205)	14	46	41	36	60	4	37	49	13
Chairpersons (185)	5	39	56	30	65	6	62	30	9
Broken Down By Institution Types									
1. Multiversities									
Presidents (N=8)	0	67	33	50	50	0	0	88	13
Chairpersons (N=9)	0	67	33	22	56	22	88	13	0
2. Public Colleges and Universities									
Presidents (N=49)	10	51	39	57	37	7	31	57	12
Chairpersons (N=42)	2	31	67	51	33	15	72	25	3
3. Liberal Arts Colleges									
Presidents (N=11)	36	55	9	0	100	0	36	55	9
Chairpersons (N=12)	8	33	58	10	90	0	67	33	0
4. 2-Year Colleges									
Presidents (N=135)	14	42	44	30	66	4	42	44	14
Chairpersons (N=126)	6	41	53	25	73	2	56	32	12

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* Source: J. Victor Baldridge, "The Scope of Bargaining and Its Impact on Campus Administration," *Collective Bargaining in Higher Education*, Ed. Thomas Mannix, Proceedings Fourth Annual Conference, April 1976, (New York: National Center for the Study of Collective Bargaining in Higher Education, 1976), p. 81.

TABLE 2

The Impact of Collective Bargaining on Various Administrative Activities*

	Percent Agreeing		
	Presidents		
	Presidents Non-Union Institutions (N=134)	Union Institutions (N=204)	Faculty Union Chairpersons (N=193)
A. Collective bargaining will increase the power of the administration at the expense of the faculty	21	22	3
B. System management is increasing all the time.[1]	78	76	--
C. I prefer binding arbitration as a strategy for settling disputes.	20	35	81
D. Collective bargaining will increase the influence of outside agencies (arbitrators, courts, or state agencies).	84	83	53
E. Collective bargaining will stimulate greater faculty concern about state and local politics.	35	55	84
F. Collective bargaining will cause specialists (e.g. lawyers, management experts) to replace generalists in the administrations.	75	68	32
G. Collective bargaining will democratize decision making by giving junior faculty a greater role.	14	26	72
H. Collective bargaining will increase the effectiveness of campus governance.	10	20	77

* Source: Baldridge, p. 82

-All respondents, both unionized and non-unionized campuses. Response dealt with general national trends, not necessarily what would happen on respondent's specific campus.

-The range of answers was "strongly agree, agree, neutral, disagree, strongly disagree." In this chart "agree" equals all "strongly agree" or "agree."

1. Chairpersons - questionaire did not contain this question.

Beyond this concentration of power in the upper straits, the gradual loss of this power brings with it a number of logistical problems to low and middle level administrative authority. With the appearance of local union officials, legislators and systems officers, the campus president may find himself in the role of intermediary rather than as governing consul. Where bureaucracy flourishes so does confusion. New York presents a good example of this, for both the union and the president at CUNY have to contend with the many state educational and legislative agencies which have acquired a direct interest in educational matters. Kemerer and Baldridge quote an apt assessment by a Pennsylvania official who terms the potential dilemma as the "that's-your-problem" syndrome.

> The campus administrators ask the bureaucrats, "How can I pay the increases you have negotiated and continue programs and services at previous levels on the same budget as formerly?" and receive the answer, "That's your problem." The bureaucrats ask the legislature, "How can we fund the pay raises we have negotiated if you insist on cutting taxes?" and receive the answer, "That's your problem." The bureaucracy asks the campus administrators, "Why are there so many employee grievances reaching the state level rather than being resolved locally?" and receive the answer, "That's your problem." The campus administrators ask the bureaucracy, "Why are grievances lodged against me on matters that I did not precipitate or do not control?" and receive the answer, "That's your problem."[33]

The conclusion reached by Kemerer and Baldridge is that, "...the complexities of power-sharing may eventually reduce local campus presidents to middle managers who execute policy but have little influence on the decisions."[34]

In order to cope with its moving environment, an administration will have to adjust the ways in which it carries out its business. Expanding its staff, handling the paperwork, and developing newer attitudes and approaches will become indispensable to an institution's administration. A necessary addition, according to the two writers, is the institutional research specialist. His responsibilities would include the preparation of pre-negotiation background data, providing detailed and specific information to negotiators and administrators, and to monitor that the conditions of the contract are being properly complied with. Legal assistance is paramount, especially with respect to labor and contract law. Finally, labor relations experts and budget officers will find important slots in university administration. According to the survey, over 85 percent of the presidents and 60 percent of the union chairmen acknowledged that the need for specialists on campus had increased. Not one president felt the need had decreased.

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[33] Ibid., p. 85.

[34] Ibid.

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From the perspective of the union, one benefit which has come upon the collective bargaining scene has been the sharing of information. In the past, many administrations had been most reluctant to disclose detailed financial information of any sort. Indeed, they considered such information privileged, the violation of which would be tantamount to an erosion of their authority. Nevertheless, the exchange of information has become common, rendered mandatory by the laws and rulings of the collective bargaining boards. In this respect it can be said that faculty influence in the decision making process has moved ahead. Only a handful of union chairmen said that this aspect of collective bargaining had decreased their influence.

Complex interrelationships, brought about by faculty union demands for a "voice" in the running of things, have taken shape in the form of groups or even individuals holding veto power. Understandably, faculties have had their fill of university presidents reversing laboriously prepared committee recommendations, and through experience have evidently decided that if they can't control direction they at least can affect the speed. This attitude may possibly filter through all levels of the university hierarchy and reach all decision making foci. In essence, even though the desires of one interest group may not receive full satisfaction, they are at least secure in knowing that their own situations cannot be threatened seriously. The problem, obviously, is that delegations of power, diffused widely and to every corner, could stifle the ordinary operations of a university community. As one Fordham administrator once so appropriately noted, "Sometimes committees are like hamsters. Unfortunately, the only thing hamsters are good for is making more hamsters."

THE FINANCIAL IMPLICATIONS OF COLLECTIVE BARGAINING AND THE CONTRACT

The cost picture of unions coming to campus is difficult to portray. This aspect can be approached from many different angles. Both the administration and the union must consider the costs which are involved in the development, bargaining, and implementation stages of collective bargaining. A cautionary note is that each campus presents a unique situation, in spite of efforts to apply common principles drawn from the experiences of other colleges and universities. New York State leads the nation in collective bargaining evolution, with SUNY and CUNY presenting interesting studies. Yet, in view of the premise that each institution offers a singular setting, this investigation will dwell on matters which, although varied with each circumstance, nevertheless , comprise the core of collective bargaining in general.

One of the primary bargaining issues centers on wages. It stands to reason that any increase in wages will result in an increase of the cost of running an institution. William J. Neff and John D. Forsyth endeavor to highlight those aspects of collective bargaining which invariably affect the financial balance of things, with the salary consideration playing a leading role.[35] In the schema of this process these authors place great emphasis on the collection of data. Several other areas which also receive close inspection include teaching, research, salary grade, accrued hours of sick leave, publications rating, race, sex; in short, anything which could have a significant impact on finances.

To be more specific, Neff and Forsyth suggest seven major categories which generally comprise a union's economic demands, with each category being further reduced into subdivisions. These main areas are 1) direct payments for salaries, 2) development of an employment standard related to salaries or salary schedules, 3) indirect payments (overload pay, off-campus courses, third-term payments for eight-, nine-, and ten-month appointments), 4) benefit programs, 5) academic work environment issues, 6) employment security issues, and 7) union operating issues.

There are five basic avenues by which salary payments may be adjusted. First, across the board or flat dollar adjustments can be determined easily. The amount of the raise can of course differ as to the types of faculty, such as professor, assistant professor, lecturer, etc. By determining the raise for each category, the resultant total is the amount by which the university faculty salary budget is increased. Second, across-the-board "percent of salary" adjustments are relatively easy to determine. All the information that is required is the chosen percent rate, and the impact on the budget can be swiftly deduced. A third method is to use "step adjustments through fixed dollars or percent increases." This approach calls for the variation of rates of pay in light of different levels or "steps". These levels may be contingent upon such things as discipline, rank, training, degree, years of service, publications, and quality of performance. According to the writers, "These systems are based upon the philosophy that the value of an individual in a position increases relative to increases in certain defined factors, such as length of service and publications."[36]

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[35] William J. Neff and John D. Forsyth, "Costing Union Demands," Handbook of Faculty Bargaining, ed. George W. Angell and Edward P. Kelley, Jr. (San Francisco: Jossey-Bass, Inc., 1977), pp. 274-293.

[36] Ibid., p. 285.

A merit program may be used which provides for flat dollar or percent adjustments. Simply, this plan rewards good performance and theoretically serves as an incentive for achievement. Often, such increments in salary are for a fixed term and not permanent. The vague nature of this option is that the actual overall cost cannot be easily projected. Thus, there is a strong inclination to place a ceiling on the total amount of money which may be so awarded. The disadvantage is that if the program is improperly structured, or if the ceiling is too low, the effective incentive may be lacking.

The final arrangement is to couple salary increases with a cost of living index. A local, regional, or national source may be used. But again, a ceiling may be employed in the event of an unexpected rise in the consumer price index. This approach is also difficult to project in financial terms, and may prove unwieldy in times of high inflation.

Probably the next area of importance has to do with questions of benefits. This category is saturated with a host of programs which invariably drain a university's finances. Of these the most prominent appear to be unemployment and worker's compensation insurance, social security payments, life and medical insurance benefits, sickness and disability pay, vacations, jury duty, and leaves of absence. The list by no means ends here. But from these examples it can be readily observed that the financial obligations of an institution weigh heavily in areas outside of direct salary payments. As a result greater managerial acumen is required, for, from a long-term perspective, the financial bite of these programs has a tendency to be underestimated.

As mentioned earlier, other considerations include issues of work environment, employment security, and union operations. Class size, the teaching/research/advising load, tenure, promotion policy, and data and information generation are an integral part of these issues. The conclusion which must then be drawn is that the administration, in reviewing the economic ramifications collective bargaining portends for the university, msut be able to meticulously explore a wide range of even the more remote questions. Further, this information must be made quickly available in order to enable that administration to wade through the swirling currents of a collective bargaining situation.

Having probed those elements which usually constitute points of a contract, another, lesser considered aspect is the cost involved in the actual bargaining process. From an administration point of view, the bills could be awesome. In his article, "Controlling Costs of Bargaining," Neil S. Bucklew divides the emergence and establishment of collective bargaining into four stages.[37] If an administration hopes to be effective in dealing with a union, it must undertake certain measures in order to better acquaint itself with the new status of the faculty. This might cost more than they imagine.

Stage one is the period prior to unionization. For the administration to become more oriented to the collective bargaining phenomenon, it must seek information and wise counsel. Consultants and reference materials are top on the order list, and the administration must endure some expense to seek these out. The National Center for the Study of Collective Bargaining in Higher Education, at Baruch College of CUNY, and the Academic Collective Bargaining Information Service in Washington, D.C., are two places to start.

The second stage is one of organizational activity. One consideration here is the time spent on debate over the unionization question. The university's involvement in that debate may require the delegation of an individual to gauge new developments. Of great importance is the legal assistance that is needed to clarify points of labor and contract law. The time demanded is high, and so are the rates. And the certification process, which entails a great deal of paperwork and, as usual, legal expenses, tends to run up the costs.

Once unionization becomes a reality on campus, the handling of academic bargaining on a full-time basis must be attended to. This is the third stage. An office must be created to be responsible for collective bargaining, and the staffing of this office will bring about noticeable salary costs. Once again, legal expenses will be incurred, and a labor law library, which normally proves essential, will increase the bill. Information, studies, and time add to the pressures and costs a university has to bear. Even during the actual negotiating process expenditures for printouts, special studies and other information sources will have to be made.

Once bargaining is over the process does not end. Stage four deals with the administration of the contract, a major part of which concerns the grievance procedure. In the end, an arbitrator may be called in to resolve a dispute. As told by Neil Bucklew, "The costs of preparing an arbitration case, legal assistance, and the direct cost of an arbitrator can easily range from $3,000 to $6,000 per case."[38] Bucklew also refers to a five-year study conducted by James Begin, who estimates that the average cost per grievance (at Rutgers University) was in excess of $50,000.[39] Other elements are a part of this stage, particularly the formation of committees which serve to monitor the faithful observance of the contract, as well as to be aware of changes which may affect the administration/faculty relationship. It may even be said that the entire collective bargaining process, far from being a regimented procedure, is actually a versatile, almost breathing motion, subject to wide interpretations and the many vicissitudes synonymous with labor law.

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[37] Neil S. Bucklew, "Controlling the Costs of Bargaining," *Handbook of Faculty Bargaining*, ed. George W. Angell and Edward P. Kelley, Jr. (San Francisco: Jossey-Bass, Inc., 1977), pp. 520-537.

[38] *Ibid.*, p. 536.

[39] *Ibid.*

THE FINANCIAL CONSEQUENCES

The final question to be considered is, "What effects, if any, does collective bargaining have on faculty compensation?" It would seem logical that there is a causal relationship between the two, but recent studies do not seem to support this assertion. These studies were conducted by Robert Birnbaum of the University of Wisconsin, William W. Brown and Courtenay C. Stone of the California State University, and David R. Morgan and Richard C. Kearney.[40]

In the Birnbaum and the Morgan/Kearney studies institutions were matched as closely as possible according to certain pre-determined criteria. The main difference was that the unionized campuses were set apart from the non-union. On this basis it was hoped that a comparison could be made between the compensation progressions of union versus non-union institutions. The Brown project, however, compared unionized campus compensation levels to the national level so as to reduce as much as possible the element of local bias. The following tables indicate some of the results of those examinations.

The conclusions reached by these three studies are rather disparate. The Birnbaum result indicated that,

> Between the academic years 1968-69 and 1972-73, compensation at unionized campuses increased 35.5 percent, compared to 28.2 percent at non-unionized institutions - a difference of 7.3 percent.

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[40] 1) Robert Birnbaum, "Unionization and Faculty Compensation," Educational Record, Vol. 55 (1974) pp. 29-33; and "Unionization and Faculty Compensation: Part II," Educational Record, Vol. 57 (1976), pp. 116-118.
2) David R. Morgan and Richard C. Kearney, "Collective Bargaining and Faculty Compensation: A Comparative Analysis," Sociology of Education, Vol. 50 (1977), pp. 28-39.
3) William W. Brown and Courtnay C. Stone, "Academic Unions in Higher Education: Impacts on Faculty Salary, Compensation and Promotions," Working paper No. 76005, Department of Economics, California State University, Northridge.

TABLE 3

AVERAGE COMPENSATION AND GROWTH RATES ADOPTED FROM BIRNBAUM AND MORGAN/KEARNEY

	Birnbaum (group N=50)				Morgan/Kearney (group N=46)			
Group	1968-1969	1974-1975	Difference	Growth Rate	1969-1970	1974-1975	Difference	Growth Rate
CB Campuses	$12,600	20,000	7,400	8.0%	$12,900	18,500	5,600	7.4%
Matched Non CB Campuses	12,600	18,500	5,900	6.6%	13,100	17,900	4,800	6.4%
Difference	0	1,500	1,500	1.4%	-200	600	800	1.0%

TABLE 4

REGIONAL DISTRIBUTIONS OF UNION AND NON-UNIONIZED CAMPUSES IN BIRNBAUM AND MORGAN/KEARNEY

	Birnbaum		Morgan/Kearney	
Region	Union	Non-Union	Union	Non-Union
West	.04	.40	.04	.20
North Central	.08	.14	.19	.26
North East	.86	.22	.72	.50
South	.02	.24	.04	.04

TABLE 5

AVERAGE COMPENSATION LEVELS ASSOCIATED WITH THE UNION AND NON-UNION REGIONAL DISTRIBUTIONS

	Birnbaum				Morgan/Kearney			
Group	1968-1969	1974 1975	Difference	Growth Rate	1969-1970	1974-1975	Difference	Growth Rate
CB Regional Distribution	$13,300	19,900	6,600	6.9%	$14,000	18,900	4,900	6.2%
Non-CB Regional Distribution	12,900	19,000	6,100	6.7%	13,900	18,800	4,900	6.2%
Difference	400	900	500	.2%	100	100	0	0.0%

TABLE 6

MEAN POST-COLLECTIVE BARGAINING NET COMPENSATION GROWTH RATES
Brown/Stone

Subsample	Full	Associate	Assistant	Instructor
32 campuses	-0.00026	-0.00216	-0.00345	-0.00532
5 Pennsylvania Campuses	0.04770*	0.04235*	0.04065*	0.03245*
Merchant Marine Academy & 7 CUNY Campuses	-0.02185	0.01831	-0.01824*	-0.01870*

For each union campus in their study, the growth rate in compensation, by rank, over the campus' collective bargaining period (initial contract date to 1975-76) was computed. Similarly, the growth rate in the national average compensation, by rank, at schools of the same category was computed for the identical period. These national average growth rates were subtracted from the campus' to yield the campus' net growth rate by rank. The numbers (in this table) are mean net growth rates for subsamples of union schools in the Brown/Stone study.

> Comparable differences between academic years 1972-73 and 1974-75 were 17.3 percent and 17.2 percent respectively, a difference of only 0.1 percent.
>
> In 1974-75 institutions with collective bargaining paid faculty members an average salary of $19,803, and institutions without collective bargaining paid an average of $18,659...The difference of $1,144 was statistically significant at the 0.01 level of confidence.[41]

In a similar vein the Morgan/Kearney conclusion reads, "...collective bargaining in higher education is associated with increased faculty salaries and benefits."[42] However, Brown/Stone take the contrary view and state, "In general, there appears to be no significant impacts on salary, compensation and promotions associated with the adoption of collective bargaining by college and university faculty."[43]

So, how does one reconcile the differences? In a working paper Brown and Stone scrutinize the research methods employed by all three studies, (including their own), and point out certain conditions which may explain some of the discrepancies. The first queries raised have to deal with the Birnbaum and Morgan/Kearney reports, mainly because of certain similarities in their methods.[44]

First, the matchings may be misleading. Such a procedure is subject to human judgment, and thus vulnerable to human error. It can be seen on Table 3 that, had the Morgan/Kearney matched Non-CB campuses been applied to the Birnbaum CB campuses, the non-union compensation level would have been greater by $500.

Regional differences, say Brown and Stone, may also account for the differences. Table 4 shows that heavy emphasis in sampling was placed by both studies on the northeast section of the country. This region has historically paid higher salaries than the rest of the nation, and also holds the highest percentage of faculty unions. By comparing the sampled institutions on a weighted scale (Table 5), it can be seen that the differences between CB and non-CB campuses narrow considerably.

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[41] Birnbaum, op. cit., Part II, pp. 116, 117.

[42] Morgan and Kearney, op. cit.

[43] Brown and Stone, op. cit., p. 14.

[44] William W. Brown and Countenay C. Stone, "Faculty Compensation Under Unionization: An Analysis of Current Research Methods and Findings," Working Paper NO. 77501, Department of Economics, California State University, Northridge.

Brown and Stone also suggest that the free forces of a labor market may apply to university staffing, such that over the long run salaries tend to move to a state of "equilibrium." Furthermore, the quality of an institution will easily affect the level of compensation offered. Using such guides as professional accreditation standing and graduate programs, the quality rating for Morgan/Kearney CB campuses increased more than for the non-CB campuses.[45]

Other influencing variables include the time at which the impact of collective bargaining is felt. Brown/Stone identify the onset of compensational impacts with the effective date of an institution's initial contract. This is not done with Birnbaum and Morgan/Kearney who "assume instead that the time period under study traps the actual onset."[46] The latter two studies fail to pinpoint the exact times at which full collective bargaining, or even the effects therefrom, had arisen on the campuses. Brown and Stone concede, however, that the date of the initial contract may not be an accurate starting point upon which to base evaluations.

Experience with collective bargaining may in some measure have left an impression on the bargaining outcomes. The average union experience for Birnbaum's campuses was 3.5 years. This can be compared to the Morgan/Kearney union campuses which have had experience on an average of only 2.3 years. In addition, for the Morgan/Kearney union campuses 22 percent had no experience at all with union-negotiated compensation levels.[47]

Contrapuntal to the Brown/Stone criticisms, Robert Birnbaum does not feel that regional differences are substantial enough to be significant, that such criticism is "only an intriguing hypothesis which cannot be fully evaluated without further study."[48] Neither does Birnbaum consider his method of matching to be particularly weak. Nevertheless, the fact that different results were reached cannot be ignored, the question then being, "Why?"

Birnbaum suggests that part of the problem may be resolved by determining the precise questions being asked by the respective researchers. He contends that the question asked by Brown/Stone

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45 Ibid., Table 5, p. 31.

46 Ibid., p. 15.

47 Ibid., p. 16.

48 Robert Birnbaum, "Compensation and Academic Bargaining: New Findings and New Directions," Working Paper, Forthcoming in Proceedings, Fifth Annual Conference, April 1977, (New York: National Center for the Study of Collective Bargaining in Higher Education), p. 8.

was, "Once institutions are unionized, how do their compensation increases each year compare with those at other institutions?"[49] Birnbaum, on the other hand, "took institutions that were unionized based on their compensation levels in 1968-69." The question then asked was, "In 1968-69 the compensation levels of unionized and non-unionized institutions in the sample were identical; how different are they in 1968-69 plus x?"[50]

To contend with the possibility that differences in approach may explain the discrepancies, Birnbaum undertook another examination now based upon AAUP reports. Also, this reanalysis used only public two-year and public four-year institutions, since they were comparable groups and of "reasonable" size. One should note that it was mainly at the two year institutions (43 percent of all public enrollment in 1976) where collective bargaining first became firmly entrenched. (See Tables 7-9).

By focusing on the progression of compensation levels at the two-year institutions, an almost curvilinear trend can be observed. The difference between the bargaining and the non-bargaining figures peak between 1970-74, and the gap is quickly closed and by 1975-76 the non-bargaining institutions enjoy a slight edge. However, because Brown/Stone do not make a study of this segment, a comparison cannot be made.

At the four-year institutions, the advantage held by the bargaining institutions is noticed almost immediately in 1969-70. But the Brown/Stone data go back to only 1970-71. In that regard, Birnbaum comments:

> ...had Birnbaum analyzed his data only from 1970-71 to 1975-76...he would have found unionized institutions in his sampling increasing compensation levels by $6,266, or 43.7 percent, and non-unionized institutions increasing by $5,628, or 41.4 percent. This difference of only 2.3 percent favoring bargaining institutions represents an annual rate of 0.4 percent difference each year during the five year period, consistent with the 0.3 to 0.6 percent per year advantage in collective bargaining institutions for professor through assistant professor found by Brown/Stone. Thus, for comparable periods of time, Birnbaum's and Brown/Stone's findings are almost identical, even though their methods differ.[51]

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[49] Ibid.

[50] Ibid.

[51] Ibid., p. 13.

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TABLE 7

BARGAINING AND NON-BARGAINING TWO-YEAR PUBLIC COLLEGES
1968-69 to 1975-76 (N=20 pairs)

	1968 1969	69-70	70-71	71-72	72-73	73-74	74-75	75-76
Bargaining	12,035	13,189	14,675	15,611	16,635	17,850	19,289	20,636
Non-Barg.	12,007	12,959	14,032	15,067	15,972	17,301	19,087	20,741
Difference	28	230	643	544	663	549	202	-105
% Diff. Favor Barg.	0.2	1.8	4.6	3.6	4.2	3.2	1.1	-0.5

TABLE 8

BARGAINING AND NON-BARGAINING FOUR-YEAR PUBLIC COLLEGES
1968-69 to 1975-76 (N=35 pairs)

	1968 1969	69-70	70-71	71-72	72-73	73-74	74-75	75-76
Bargaining	12,156	13,266	14,334	15,233	16,403	17,608	19,563	20,605
Non-Barg.	12,128	12,994	13,580	14,155	15,184	16,378	17,844	19,208
Difference	28	272	759	1,078	1,219	1,230	1,719	1,397
% Diff. Favor Barg.	0.2	2.1	5.6	7.6	8.0	7.5	9.6	7.3

TABLE 9

BARGAINING AND NON-BARGAINING FOUR-YEAR PUBLIC COLLEGES
1968-69 to 1975-76 (N=23 pairs)
With Collective Bargaining Contract Signed in 1971

	1968 1969	69-70	70-71	71-72	72-73	73-74	74-75	75-76
Bargaining	12,694	13,834	14,900	15,738	17,080	18,341	20,586	21,727
Non-Barg.	12,655	13,473	13,852	14,476	15,587	16,933	18,592	20,019
Difference	39	361	1,048	1,262	1,493	1,408	1,994	1,708
% Diff. Favor Barg.	0.3	2.9	7.6	8.7	9.6	8.3	10.7	8.5

Using 1970-71 as the cutoff date as to when collective bargaining emerged on certain campuses, Table 9 details the compensation progression. For the academic years 1968-71 on the bragaining campuses, compensation improved by 17.4 percent. This is compared to a 9.5 percent advance by non-bargaining institutions. Between 1971 and 1976, compensation for bargaining campuses rose by 45.8 percent. However, compensation at the non-bargaining institutions moved ahead at a 44.5 percent clip, a difference of 1.3 percent. On average, this is less than 0.3 percent a year over five years. Again the result is close to the Brown/Stone findings.

The results obtained by Brown/Stone indicate that there is no causal relationship between the advent of collective bargaining on campus and faculty compensation levels. Robert Birnbaum qualifies this position and says, "...in the final analysis, there are no data in any existing study which can justify a statement to the effect that collective bargaining either causes, or does not cause, compensation increases in higher education. Indeed, I would state that there are no economic studies that can be done to justify such a conclusion.[52]

At best, only the possibility that such a causal relationship exists can be raised. The lack of reliable statistical evidence, the presence of so many uncontrollable variables, and the distinctiveness of each institution, make it extremely difficult to isolate and investigate the effects of collective bargaining under controlled conditions. Birnbaum even proposes that, "... explorations from the perspectives of political science, sociology and social psychology may be a more productive way of looking at the impact of unionization upon compensation."[53]

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[52] Ibid., p. 3.

[53] Ibid., p. 18.

INSTITUTIONS IN NEW YORK STATE REPRESENTED BY COLLECTIVE BARGAINING AGENTS

American Association of University Professors

Four-Year Institutions

*Adelphi University
*Bard College
*D'Youville College
*Hofstra University
*N.Y. Inst. of Tech.
Dowling College
*Polytechnic Inst. of N.Y.
*St. John's University
*Utica College of Syracuse Univ.
*Wagner College
*Marymount College

American Federation of Teachers

Four-Year Institutions

CUNY (PSC/AFT)
*Cooper Union
*L.I.U. (Brooklyn, Post Southampton)
*Pratt Institute
SUNY
U.S. Merchant Marine Academy
*Columbia University Coll. of Pharm. Sciences

Two-Year Institutions

Broome Community College
CUNY
Columbia-Greene CC
Fashion Inst. of Technology
Mohawk Valley CC
Monroe CC
Dutchess CC
Nassau CC
Onandoga CC
Rockland CC
SUNY
Suffolk County CC
Westchester CC
*Taylor Business Institute

*Private

CC - Community College

Source: Directory of Contracts and Bargaining Agents, April 1977, New York: National Center for the Study of Collective Bargaining in Higher Education; updated by subsequent issues of the Newsletter.

Associated Community College Faculties

Two-Year Institutions

Adirondack CC
Cayuga County CC
Clinton CC
CC of the Finger Lakes
Erie CC
Fulton Montgomery CC
Genesee CC
Herkimer County CC
Hudson Valley CC
Herkimer County CC
Hudson Valley CC
Jamestown CC
Niagara County CC
Jefferson CC
North Country CC
Orange County CC
Schenectady County CC
Sullivan County CC
Ulster County CC

Independent Agents

Four-Year Institutions

*Fordham University Law School
*Mercy College
(Election invalidated)
*Niagara University
*N.Y. University Law School
*Syracuse University Law School
*Yeshiva University

Two-Year Institutions

*Trocaire College

Status of Collective Bargaining Legislation[1]

State	Date of Legislation or Amendment
Alaska	1972
California	1975 - 2 yr.
Connecticut	1975
Delaware	1970
District of Columbia	Governing Boards[2]
Florida	1974
Hawaii	1970 (amend. 1975)
Illinois	Governing Boards
Iowa	1974
Kansas	1970 (2 yr.)(amend. 1974)
Maine	1974 (2 yr. voc. tech.) (amend. 1975) 1975 (all other)
Maryland	Governing Boards
Massachusetts	1974
Michigan	1973 (amend. 1976)
Minnesota	1971 (amend. 1976)
Montana	1973 (amend. 1975)
Nebraska	1972
New Hampshire	1975
New Jersey	1974 (amend.)
New York	1967 (amend. 1975)
Ohio	Governing Boards
Oregon	1963 (2 yr.)(amend. 1975)
Pennsylvania	1970
Rhode Island	1958 (amend. 1973)
South Dakota	1969 (amend. 1974)
Vermont	1972 (amend. 1975)
Washington	1973 - 2 yr.
Wisconsin	1966 (2 yr.)(amend. 1974)

[1] For public institutions. Authority to engage in collective bargaining has existed since 1970 in private institutions.

[2] No legislation. Governing Boards enacted policy enabling collective bargaining at institution. Not general for state institutions of higher education as a whole.

Source: NCSCBHE Directory

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